



# CITY OF FAIRFAX, VIRGINIA



## *Comprehensive Annual Financial Report* *for the Fiscal Year Ended* *June 30, 2009*



**CITY OF FAIRFAX, VIRGINIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2009**

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**PREPARED BY:**

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Department of Finance  
David E. Hodgkins, Assistant City Manager/Director of Finance  
Cynthia A. Henderson, Assistant Director of Finance



# CITY OF FAIRFAX, VIRGINIA

## Comprehensive Annual Financial Report For The Fiscal Year Ended June 30, 2009

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## *City of Fairfax*

*City Hall • Fairfax, Virginia 22030-3630*

December 7, 2009

Honorable Mayor, Members of the City Council and Citizens  
City of Fairfax  
Commonwealth of Virginia

We are pleased to present the City of Fairfax's (the City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. The Code of the Commonwealth of Virginia requires that all local governments shall be audited annually with a report to the governing body by December 31. This report is published to fulfill that requirement.

The financial statements included in this report, which have earned an unqualified ("clean") audit opinion, conform to the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA), and the Auditor of Public Accounts.

City management is responsible for the accuracy, fairness and completeness of the information, including all disclosures that are presented in this report. To the best of our knowledge, the enclosed data is believed to be accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds of the City. All necessary disclosures have been included to enable the reader to gain a thorough understanding of the City's financial affairs.

City management is also responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America.

The City's financial statements have been audited by Robinson, Farmer, Cox Associates, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by City management; and evaluating the overall financial statement presentation. The independent auditors' report is located at the front of the Financial Section of the CAFR.

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Management's Discussion and Analysis (MD&A) is found immediately following the independent auditor's report. This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it.

## **FINANCIAL REPORTING ENTITY**

This report includes the financial activities of the City of Fairfax government (the primary government), which are controlled by the Mayor and Council, as well as the financial activities of the City's component units. Component units are legally separate entities for which the primary government is financially accountable and, therefore, are included in the primary government's CAFR.

The City of Fairfax provides a full range of governmental services including law enforcement, emergency medical response, fire protection and fire code safety; judicial services; health and social services; refuse; planning and zoning services; parks, recreation and cultural activities; and general government administration services. These services are either provided by the City or through contracts with Fairfax County. In addition, the City has its own water and sewer systems and also provides inter-County and intra-City bus service.

Discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The City of Fairfax School Board is presented in its own column for financial presentation purposes as a major component unit. The Fairfax public school program is provided through an independent school district administered by a school board and superintendent that contracts with the Fairfax County School System for operating the four City schools - Fairfax High, Sidney Lanier Middle, Daniel's Run, and Providence. The Industrial Development Authority and Economic Development Authority are combined in one column as non-major component units.

## **ORGANIZATION OF GOVERNMENT**

The City of Fairfax has been governed under the Council-Manager form of government since changing from town status in 1961. As a Virginia City, it is independent, and not a part of any county. Under this form of government, the mayor and six council members are elected by the citizens every two years to provide direction to the locality. The City Council employs a City Manager who is the executive officer of the City and is responsible to the Council for the proper administration of the City government.

## **ECONOMIC CONDITION AND OUTLOOK**

An independent jurisdiction of 6.34 square miles, 15 miles west of Washington, D.C., the City of Fairfax lies in the heart of the Northern Virginia area. Bounded by Interstate 66 on the north and less than five miles west of the Capital Beltway, the City of Fairfax is at the crossroads of Northern Virginia's major north/south and east/west highways. Fairfax's neighbors include the Vienna/Fairfax GMU station of the Metro regional rapid-rail system, and, at the southern boundary of the City, George Mason University. The City is within 30 minutes of both Dulles International Airport and Reagan Washington National Airport.

The City provides the high-level services that Northern Virginians expect. With a population of 23,952, the City offers a good government, low taxes and a strong feeling of community pride. Residential tax burdens are among the lowest in Northern Virginia with a real property tax rate of \$0.88 and a personal property tax rate of \$4.13. For businesses, the same advantage is offered, with business license rates for the City that compare favorably with those of other Northern Virginia jurisdictions.

In addition to the City's \$0.88 real property tax rate, the City Council approved the assessment of an additional commercial property tax on all non-residential properties. Effective January 1, 2009, a separate fund was established to segregate and account for the new supplemental tax. The additional commercial property tax levy is a \$0.08 assessment on all non-residential commercial and industrial properties, located in the City of Fairfax. The General Assembly authorized the City of Fairfax, as a Northern Virginia Transportation Authority member, to raise revenue by enacting a local ordinance imposing the additional commercial tax. The revenue collected from this tax is to be used solely for new transportation improvements in the City of Fairfax. The adopted rate of \$0.08 will generate about \$1.6 million annually. As a result of the additional commercial tax, the effective property tax rate for commercial and industrial properties is \$0.96.

The City is one of the few places in Northern Virginia where a small-town sensibility still exists. In effort to nurture this environment, plans are underway to make the pedestrian environment even more hospitable with wider sidewalks, landscaping, boulevard-style developments, bike trails and other improvements. Add the proximity of George Mason University, many historical buildings and an active artistic community, and the sum is a locale with a unique sense of community.

The City has initiated a major effort to improve the availability of public gathering spaces in the city by acquiring additional land to fulfill the needs of its residents by providing for open space, parkland, play areas and a community center. Additionally, major improvements have already been made to two elementary schools as well as an additional \$91.5 million in renovations and improvements to the City's Middle School and High School.

The City's economy is well prepared to serve its residents and residents of the surrounding trade area. There are over 4.0 million square feet of office space in the City (with a vacancy rate of 10.5%) and 3.7 million square feet of retail/service space (with a vacancy rate of 6.0%).

This strong economy in previous years has allowed the City to reposition itself to support redevelopment of its Old Town area (i.e. Old Town Village redevelopment project) in downtown Fairfax and in the Route 50/29 Corridor. The Route 50/29 Corridor is the City's economic engine, providing nearly 40% of all tax revenues generated from the community. Now known as Fairfax Boulevard, the City, in partnership with the Business Improvement District, the Economic Development Authority and the Planning Commission, is aggressively pursuing multiple redevelopment opportunities. A newly created vision for the corridor provided by the Fairfax Boulevard Master Plan identifies three main commercial centers prime for redevelopment. These locations are Fairfax Circle, Kamp Washington and Northfax Gateway.

Construction of the Old Town Plaza redevelopment project in downtown Fairfax is complete. Many new businesses have moved in with others completing their build-outs. This new development provides for nearly 150,000 square feet of retail/restaurant and office space. Considering the current condition of the commercial real estate market, the project continues to generate interest with nearly 60% of the available space sold or leased. Additionally, the project includes a 558 space parking structure, as well as the new 45,000 square foot City of Fairfax Regional Library, which opened in January 2008; new residential units are also planned for the final phase of the project. This redevelopment has proved to be a catalyst for the potential revitalization of several other properties in Old Town Fairfax. The City is funding approximately \$40 million in infrastructure improvements to support the \$150 million private investment.

In conjunction with the Small Business Development Center and George Mason University, the City operates a business incubator known as the Fairfax Innovation Center (FIC). The center is home to several GMU programs, 35 virtual tenants and 35 private start-up businesses occupying 69 separate offices. Numerous businesses have graduated from the incubator and now occupy commercial space in the City. Due to the success and demand of the FIC, the center has undertaken a recent expansion of its operations to include a state-of-the-art conference facility.

A few quick facts to recap the highlight the City's position:

- \$5.8 billion economy
- 6.0% unemployment rate (June 2009), compared to 7.3% State and 9.7% Nationwide
- Office Space                      4.0 million square feet                      Vacancy of 10.5%
- Retail Space                      3.7 million square feet                      Vacancy of 6.0%
- Industrial Space                      0.5 million square feet                      Vacancy of 2.0%
- Over 30,000 persons work in the City of Fairfax
- Over 5,100 licensed businesses

## **FINANCIAL CONDITION**

The revenue shortfalls for the current fiscal year, fiscal year ending June 30, 2010 (FY 2010), are being addressed now by the City Manager and City Council. The focal points of the forecast discussions were the continued decline of real estate values, the projected increases to employer contributions for retirement plans and the down turn in the economy as a whole.

Keeping existing programs funded, salaries of public employees competitive, and addressing the budget and expanded program needs of the community's growing economy require careful budgeting. The City eliminated holiday trash pick up and increased the basic fare from \$.75 to \$1.35 for the City Cue Bus service. In addition to aggressive cost reductions in discretionary spending, the City kept its meals tax of 4 percent equal to prior years and increased its real estate tax rate by 9 cents to help offset rising operating costs. The City has implemented cost cutting measures in the operating departments, eliminated employee merit increases and eliminated many CIP projects. Any new revenues anticipated with the now opened Old Town Village and the institution of an ambulance service fee for a full year are much needed in today's climate. Combining this fiscal reality with continuing community expectations of high quality services will force us to continually confront difficult choices.

The City has been able to maintain its fiscal strength as the result of the City Council's strong, conservative fiscal management. The City's financial philosophy encourages the use of surplus General Fund revenue and resources derived from under-expenditures to fund capital projects rather than to fund ongoing operating programs. The City continues to use "pay-as-you-go" financing for many capital projects, keeping the City's net direct debt to tax base ratio to just 3.3 %, as of June 30, 2009.

Notwithstanding the challenges of the coming years, the good news is that the cost of City services to the taxpayer - services that are regarded as unexcelled - is substantially less than that imposed in most, if not all, of our sister jurisdictions in the Metro area.

## **GENERAL GOVERNMENT FUNCTIONS**

The following table shows the overall real property assessed value has increased over \$3.2 billion since 2000 including a (4.9) % decrease from 2008 to 2009. Real property taxes, which are based on assessments as of January 1<sup>st</sup> of each year, are due in two payments. The first six months of the real estate tax is due on June 5<sup>th</sup> and the tax for the remaining six months is due on December 5<sup>th</sup>.

<b>Tax Year</b>	<b>Residential Assessed Value</b>	<b>Residential % Increase (Decrease)</b>	<b>Industrial / Commercial Assessed Value</b>	<b>Industrial / Commercial % Increase (Decrease)</b>	<b>Total Taxable Assessed Value</b>	<b>Total % Increase (Decrease)</b>
2000	1,240,448,323	5.9	909,087,531	7.0	2,149,535,854	6.3
2001	1,493,534,686	20.4	994,457,600	9.4	2,487,992,286	15.7
2002	1,756,005,200	17.6	1,103,310,900	10.9	2,859,316,100	14.9
2003	2,111,088,700	20.2	1,206,961,700	9.4	3,318,050,400	16.0
2004	2,439,123,400	15.5	1,314,291,800	8.9	3,753,415,200	13.1
2005	3,063,115,200	25.6	1,382,126,100	5.0	4,445,241,300	18.4
2006	3,817,504,900	24.6	1,626,385,700	17.7	5,443,890,600	22.5
2007	3,723,667,700	(2.5)	1,884,634,000	15.9	5,608,301,700	3.02
2008	3,475,794,600	(6.7)	2,161,997,400	14.7	5,637,792,000	0.52
2009	3,182,468,200	(8.4)	2,177,141,800	00.7	5,359,610,100	(4.93)

(1) The City's tax year is on a calendar year with property assessed as of January 1<sup>st</sup> of each year

## **BOND RATING**

As of October 2009, the City's bond ratings were as follows:

	<u>Moody's Investors Service</u>	<u>Standard &amp; Poors</u>
General Obligation Bonds	Aa1	AAA

In October 2009, Standard and Poor's Rating Services upgraded the city's credit rating from "AA+" to "AAA," the highest credit rating attainable. The Moody's Investors Service rating remained the same.

## **BUDGETARY ACCOUNTING AND INTERNAL CONTROLS**

The budget process begins in the fall. City Council sets guidelines for the budget, usually in November. These guidelines provide the framework for developing the new budget. Requests from departments and City offices are reviewed and evaluated for priority and, based on estimated revenues, funding is requested by the City Manager for those programs and services required to maintain an essential level of service or provide for enhancements to programs as identified by City Council. Revenue estimates are derived from a review of current and projected economic indicators, current and proposed federal and state legislation, knowledge of future planned events in the City and review of historic trends. By law, local government budgets must be balanced; i.e., current expenditures may not exceed current revenues and appropriated fund balance.

The Capital Improvement Program (CIP) follows a similar process whereby departments submit estimates, which are evaluated for priority and funding. The initial proposed CIP is issued in November and forwarded to the Planning Commission for public hearing and evaluation. The Planning Commission holds a public hearing on the CIP and issues a memorandum to the City Council with recommendations and suggestions. The City Council holds at least one public hearing on the CIP and defers action until adoption of the operating and capital budgets in April. The City Manager refines the initial proposed CIP based on an evaluation of operating funding requests and available resources. A capital budget (one year of the proposed CIP) is included in the operating budget. The capital budget and operating budget together become the proposed budget.

Once presented to Council, Council reviews the proposed budget and a minimum of one public hearing is held to provide the public with an opportunity to comment to ensure that the budget is responsive to the citizen needs. After careful deliberation, the proposed budget, as modified for additions and deletions, is adopted by City Council as the approved budget.

As a management tool, budgetary control is maintained at the department level and by the encumbrance of purchase amounts before the release of purchase orders to vendors. In addition, throughout the year, revenues and expenditures are monitored to enable the City to measure actual income and expenses against those projected in the budget.

## **CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the City a Certificate of Achievement for Excellence in Financial Reporting for the City's 2008 CAFR for the 28th consecutive year. GFOA awards a Certificate to governmental units that exemplify excellence in financial reporting and conform to stringent reporting requirements promulgated by that Association and various authoritative-bodies.

To earn a Certificate of Achievement, a CAFR must tell its financial story clearly, thoroughly, and understandably. The report must be efficiently organized, employ certain standardized terminology and formatting conventions, minimized ambiguities and potentials for misleading inference, enhance understanding of current generally accepted accounting theory, and demonstrate a constructive "spirit of full disclosure".

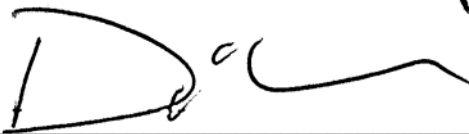
A Certificate is valid for a period of only one-year. The City believes its current report continues to conform to the Certificate of Achievement Program requirements and standards. The City is submitting it to GFOA to determine its eligibility for another certificate for this current fiscal year.

## ACKNOWLEDGMENTS

We wish to express our appreciation to the staff of the Department of Finance, and in particular to Cynthia Henderson, Assistant Director of Finance. Their efficient and dedicated service assisted in the preparation of this Report.

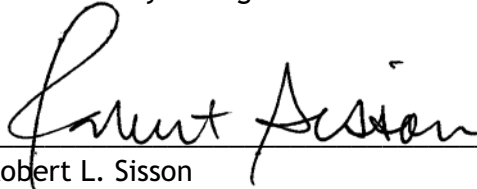
We would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



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David E. Hodgkins  
Assistant City Manager/Director of Finance



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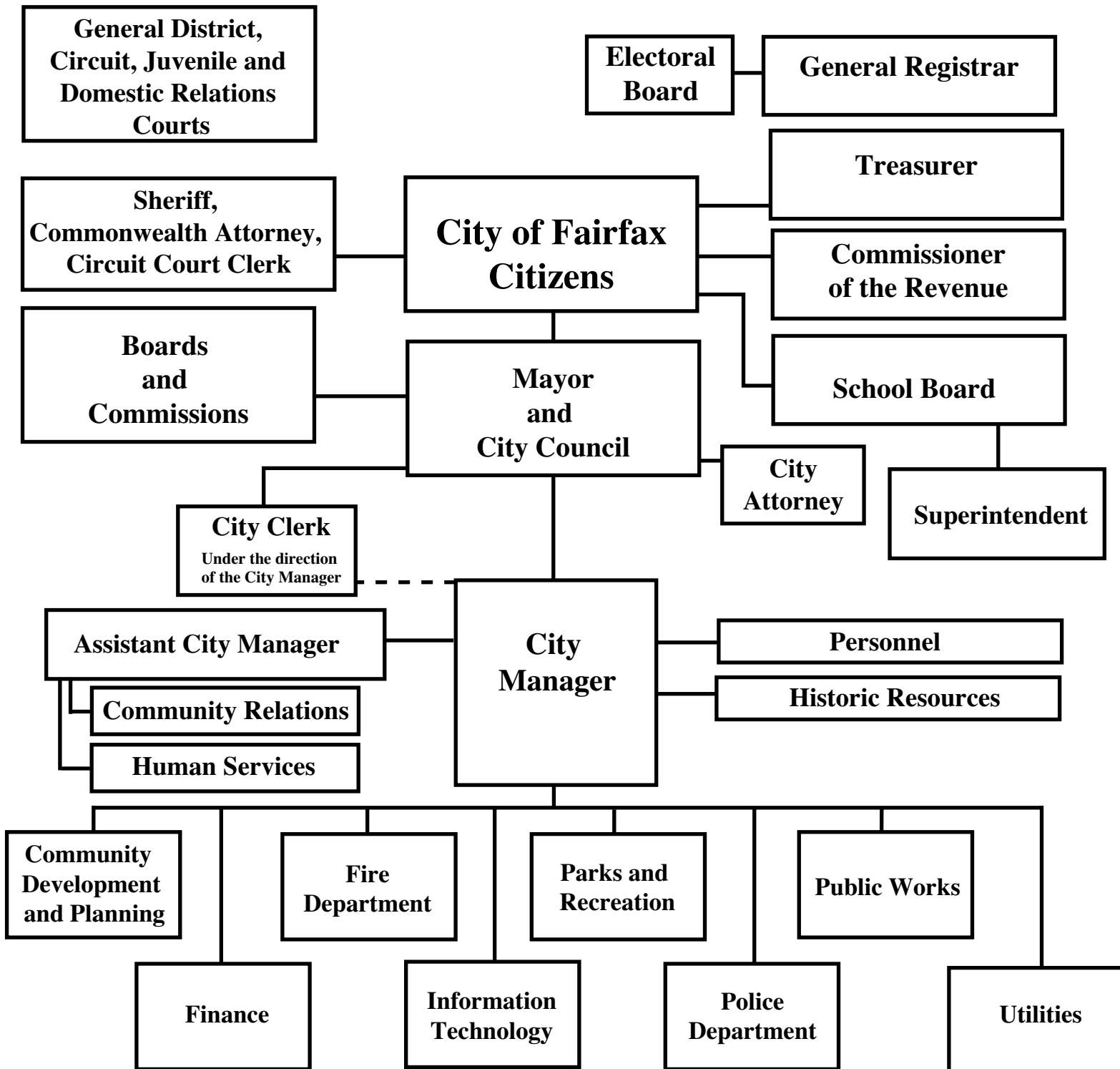
Robert L. Sisson  
City Manager

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# City of Fairfax, Virginia

## Organizational Chart



*revised 12/2004*

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**CITY OF FAIRFAX, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
June 30, 2009

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**CITY COUNCIL<sup>1</sup>**

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Robert F. Lederer, Mayor

Joan W. Cross  
Daniel F. Drummond  
Jeffrey C. Greenfield

David L. Meyer  
Gary J. Rasmussen  
Steven C. Stombres

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**STAFF**

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Robert L. Sisson.....City Manager  
David E. Hodgkins .....Assistant City Manager/Director of Finance  
William Page Johnson, II..... Commissioner of Revenue<sup>2</sup>  
Stephen L. Moloney ..... Treasurer<sup>2</sup>  
Thomas W. Owens.....Fire Chief  
Richard J. Rappoport ..... Chief of Police  
David B. Hudson ..... Director of Community Development and Planning  
Gail A. Bohan ..... Director of Information Technology  
David Summers.....Director of Public Works  
John Boryschuk..... Director of Utilities  
Michael D. McCarty..... Director of Parks and Recreation  
Ann Pokora/Sara Sharp<sup>3</sup> ..... Personnel Director  
Dorothy O. Bennett<sup>4</sup> ..... Real Estate Assessment Director  
Melanie Burrell .....City Clerk  
Jeremiah Vangen/Kevin Linehan<sup>5</sup> ..... General Registrar  
Ann Monday .....City School Superintendent

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**ADVISORS**

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Brian J. Lubkeman.....City Attorney  
Robinson, Farmer, Cox, Associates..... Independent Auditors

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<sup>1</sup> Elected by City voters to 2-year terms. Current terms expired June 30, 2010

<sup>2</sup> Elected by City voters to 4-year terms. Current terms expire December 31, 2009

<sup>3</sup> Position vacated by A. Pokora, January 2009

<sup>4</sup> Retired January 2009. Position vacant for remainder of fiscal year

<sup>5</sup> Position vacated by J. Vangen, March 2009

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fairfax  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

To The Honorable Members of City Council  
City of Fairfax  
Fairfax, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Fairfax Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia, as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13, the City implemented GASB Statement No. 45, *Accounting and Financial Reporting for Employers for Post-Employment Benefit other than Pensions*, effective July 1, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2009, on our consideration of the City of Fairfax, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in the results of our audit.

The Management's Discussion and Analysis and required supplementary information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairfax, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements, supporting schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Fairfax, Virginia. The combining and individual fund financial statements, supporting schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Robinson, Tamara, Cox Associates*

Fredericksburg, Virginia  
December 7, 2009



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the City of Fairfax's (City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. Users of these financial statements are encouraged to consider the information presented here in conjunction with the City's basic financial statements and the information furnished in our letter of transmittal, which can be found in the introductory section.

### FINANCIAL HIGHLIGHTS FOR 2009

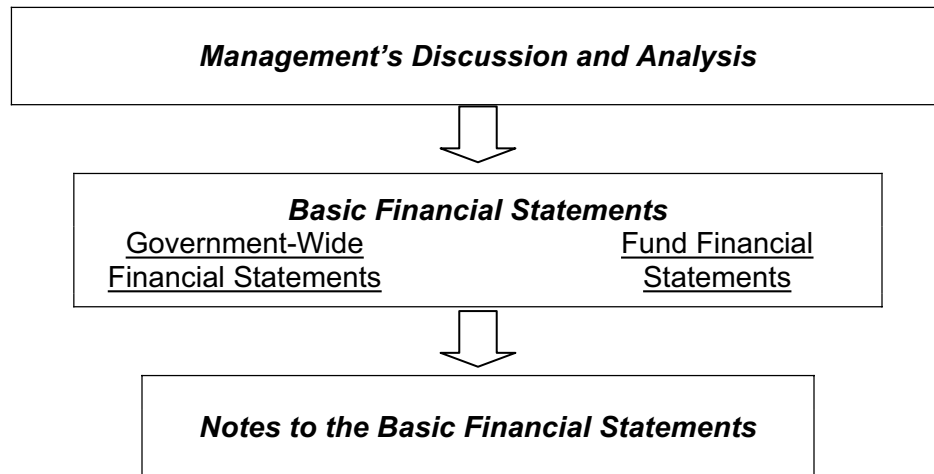
The primary government assets of the City of Fairfax exceeded its liabilities at the close of the most recent fiscal year (e.g. June 30, 2009) by \$84.8 million (*net assets*).

- The City's total primary government net assets increased approximately \$5.6 million. Most of this increase resulted from a combination of an increase in capital assets and a decrease in long term liabilities. The City's primary capital assets increased \$4.2 million. This included renovations to Lanier Middle School, renovations to Fairfax High School, a new interpretive center building on the historic Blenheim property, two sewer pumping stations, a sewer flush truck and several new water mains. All these items were completed in this current year and added to the City's capital assets. The City's primary government long-term liabilities decreased \$7.3 million which can be attributed to the reduction of debt through planned payments in both governmental and business-type activities.
- The Component Unit School board decreased net assets by \$3.1 million during the year. The cash available for school construction has decreased \$5.1 million from prior year now that the school construction for both the middle school and high school are complete.
- The City's governmental funds reflect a combined fund balance of \$34.6 million. Of this balance, \$9.8 million is reserved, \$10.4 million is unreserved but designated for capital projects, and \$14.4 million is undesignated.
- At the end of June 30, 2009, the City's governmental, business-type, and Component Unit School Board activities had invested \$207.4, \$25.6, \$13.5 million, net of accumulated depreciation, respectively, in a variety of capital assets (please see Table 3).
- The City's total governmental outstanding long-term debt is \$178.4 million, which is a decrease of \$6.9 million. During Fiscal Year 2009, the City issued no new additional debt.
- The City's total enterprise outstanding long-term debt is \$4.8 million. During Fiscal Year 2009, the City issued no additional debt.
- The City Council approved the assessment of an additional tax of \$0.08, per \$100 of assessed value, on all non-residential commercial and industrial properties as of January 1, 2009. The revenue collected from this tax is to be used solely for new transportation improvements in the City of Fairfax. The new tax has generated \$0.8 million of revenue for the last six months of Fiscal Year 2009.
- Construction is complete on renovation of Fairfax High School and Lanier Middle School. In addition, the Interpretive Center located on the Blenheim Property has been completed and is now open for both tourism and rental purposes.

## USING THE FINANCIAL SECTION OF THE ANNUAL REPORT

- ❖ This Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and compliance. The financial section is further broken down as displayed in the chart below.

### COMPONENTS OF THE FINANCIAL SECTION



## GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by most private-sector companies. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. One of the most important questions that could be asked about the City's financial position is: "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, report information about the City as a whole and about its activities in a way to address this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in it. One can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or declining. Other non-financial factors will need to be considered, for example, changes in the City's property tax base and the condition of the City's facilities, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into the following:

Governmental activities - Most of the City's basic services are reported here: General Government, Judicial Administration, Public Safety, Public Works, Health and Social Services, Parks, Recreation and Cultural, and Planning and Community Development. Property taxes, other local taxes, and state and federal grants finance most of these activities.

## GOVERNMENT-WIDE STATEMENTS: (CONTINUED)

Business-type activities - The City's Water and Sewer System and the City's Transit System are reported here. The City charges a fee to customers to cover all or most of the cost of the services provided.

Component units - The City includes three legal entities as component units in its report - the School Board, Industrial Development Authority, and the Economic Development Authority. The School Board is presented as a separate column while the others are combined as non-major component units for presentation purposes. Although legally separate, these "component units" are important because the City is financially accountable for them, and provides a significant portion of the operating and capital funding.

## FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The fund financial statements provide more information about the City's most significant funds - not the City as a whole. The fund financial statements focus on the individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

The City has three types of funds:

Governmental funds - This fund type includes most of the City's basic services, and focuses on (1) how cash and other financial assets that are readily converted to cash, flow in and out, and (2) on the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Proprietary funds - This fund type includes services for which the City charges customers a fee, and the fee is, to support the majority, if not all, of the cost. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

Fiduciary funds - This fund type accounts for assets held by the City in a trustee capacity and consists of pension trust funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information immediately follows the notes to the financial statements.

The combining statements in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Statement of Net Assets:

The following table presents the condensed Statement of Net Assets of the primary government and the School Board component unit in a comparative format:

**Table 1**  
**Summary of Statement of Net Assets**  
**June 30, 2009 and 2008**  
(In millions)

	Primary Government						Major Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2009	2008	2009	2008	2009	2008	2009	2008
<b>Assets:</b>								
Current and other assets	\$43.8	\$50.1	\$9.2	\$9.5	\$53.0	\$59.6	\$5.1	\$8.7
Capital assets, net	207.4	203.5	25.6	25.3	233.0	228.8	13.5	13.0
<b>Total Assets</b>	<b>251.2</b>	<b>253.6</b>	<b>34.8</b>	<b>34.8</b>	<b>286.0</b>	<b>288.4</b>	<b>18.6</b>	<b>21.7</b>
<b>Liabilities:</b>								
Current and other liabilities	18.5	19.7	2.6	2.2	21.1	21.9	2.1	2.2
Long-term liabilities	175.1	182.2	4.9	5.1	180.0	187.3	0.1	-
<b>Total Liabilities</b>	<b>193.6</b>	<b>201.9</b>	<b>7.5</b>	<b>7.3</b>	<b>201.1</b>	<b>209.2</b>	<b>2.2</b>	<b>2.2</b>
<b>Net Assets:</b>								
Invested in capital assets, net of related debt	34.4	39.0	24.5	20.3	58.9	59.3	13.5	13.0
Unrestricted	23.1	12.7	2.8	7.2	25.9	19.9	2.9	6.5
<b>Total net assets</b>	<b>\$ 57.5</b>	<b>\$ 51.7</b>	<b>\$ 27.3</b>	<b>\$ 27.5</b>	<b>\$ 84.8</b>	<b>\$ 79.2</b>	<b>\$ 16.4</b>	<b>\$ 19.5</b>

Over time, net assets may serve as a useful indicator of the City's financial position. For the most recently concluded fiscal year, the City's primary government assets exceeded its liabilities by \$84.8 million. This is an increase of \$5.6 million from the previous year. Most of this increase resulted from a combination of an increase in capital assets and a decrease in long term liabilities. The City's primary capital assets increased \$4.2 million. This included renovations to Lanier Middle School, Fairfax High School, a new interpretive center building on the historic Blenheim property, two sewer pumping stations, a sewer flush truck and several new water mains. All these items were completed in this current year and added to the City's capital assets. The City's primary government long-term liabilities decreased \$7.3 million which can be attributed to the reduction of debt through planned payments in both governmental and business-type activities. The Component Unit School Board net assets decreased by \$3.1 million during the year. The cash available for school construction has decreased \$5.1 million from prior year now that the school construction for the middle school and high school are complete.

The largest portion of the City's total assets, \$286 million, reflects its investment in capital assets (e.g. land, buildings, infrastructure improvements, machinery and equipment, and construction in progress, net of accumulated depreciation), less any related outstanding debt used to acquire those assets.

This is the same with the component units as well. The City uses these assets to provide services to its citizens; consequently, these assets are not readily available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves would not likely be used to liquidate these liabilities.

# FINANCIAL ANALYSIS OF THE CITY AS A WHOLE: (CONTINUED)

## Statement of Activities:

The following table shows the revenues and expenses of the governmental and business-type activities and the School Board component unit:

**Table 2**  
**Summary of Changes in Net Assets**  
**Years Ended June 30, 2009 and 2008**  
**(In millions)**

	Primary Government						School Board Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenues:								
Program revenues:								
Charges for services	\$ 4.1	\$ 3.1	\$ 13.1	\$ 11.2	\$ 17.2	\$ 14.3	\$ 0.4	\$ 0.4
Operating grants and contributions	3.9	3.7	1.1	1.1	5.0	4.8	7.0	7.0
Capital grants and contributions	2.4	0.5	-	-	2.4	0.5	-	-
General revenues:								
General property taxes	56.2	50.8	-	-	56.2	50.8	-	-
Other local taxes	29.1	34.3	-	-	29.1	34.3	-	-
Contribution from City	-	-	-	-	-	-	30.4	18.6
Grants and contributions not restricted to specific programs	3.3	3.3	-	-	3.3	3.3	-	-
Use of money and Property	0.9	2.6	-	-	0.9	2.6	1.5	1.6
Miscellaneous	1.2	0.3	-	-	1.2	0.3	-	-
Gain/(loss) disposable capital assets	-	-	-	-	-	-	(3.1)	-
<b>Total revenues</b>	<b>\$101.1</b>	<b>\$ 98.6</b>	<b>\$ 14.2</b>	<b>\$ 12.3</b>	<b>\$115.2</b>	<b>\$110.9</b>	<b>\$ 36.1</b>	<b>\$ 27.6</b>
Expenses:								
General government	\$ 7.5	\$ 5.8	\$ -	\$ -	\$ 7.5	\$ 5.8	\$ -	\$ -
Judicial administration	1.7	1.7	-	-	1.7	1.7	-	-
Public safety	22.6	22.4	-	-	22.6	22.4	-	-
Public works	11.1	15.0	15.4	14.9	26.5	29.9	-	-
Health & social services	4.8	4.9	-	-	4.8	4.9	-	-
Education	30.8	19.0	-	-	30.8	19.0	39.2	39.7
Parks, recreation and Cultural	5.0	9.1	-	-	5.0	9.1	-	-
Planning and community develop	3.5	3.4	-	-	3.5	3.4	-	-
Interest	7.3	8.0	-	-	7.3	8.0	-	-
<b>Total expenses</b>	<b>\$ 94.3</b>	<b>\$ 89.3</b>	<b>\$ 15.4</b>	<b>\$ 14.9</b>	<b>\$109.7</b>	<b>\$104.2</b>	<b>\$ 39.2</b>	<b>\$ 39.7</b>
Change in net assets before transfers	\$ 6.8	\$ 9.3	\$ (1.2)	\$ (2.6)	\$ 5.6	\$ 6.7	\$ (3.1)	\$ (12.1)
Transfers	(1.0)	0.2	1.0	(0.2)	-	-	-	-
Change in net assets	\$ 5.8	\$ 9.5	\$ (0.3)	\$ (2.8)	\$ 5.6	\$ 6.7	\$ (3.1)	\$ (12.1)
Net assets, beginning as restated	\$ 51.7	\$ 42.2	\$ 27.5	\$ 30.3	\$ 79.2	\$ 72.5	\$ 19.5	\$ 31.6
Net assets, ending	\$ 57.5	\$ 51.7	\$ 27.3	\$ 27.5	\$ 84.8	\$ 79.2	\$ 16.4	\$ 19.5

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE: (CONTINUED)

### Statement of Activities: (Continued)

Governmental activities - The City of Fairfax's net assets increased \$5.8 million. Key elements of this increase are as follows:

- General property taxes increased \$5.4 million over the prior year. The real estate tax rate increase from \$.72 per \$100 of assessed value to \$.79 along with the higher commercial assessments and higher personal property delinquent collections all contributed to an increase in property tax revenue.
- Capital grants and contributions increased \$1.9 million over prior year. George Mason Blvd, Fairfax Circle Improvements and Rt. 29 Spot Improvements were the major contributors for the increase in grant money received for the current year.
- Charges for services increased \$1.0 million over the prior year. Recreation camp and program fee increases were implemented with the goal of full cost recovery of direct expenses. In addition, ambulance service fees were collected for a full year since starting this program half way through Fiscal Year 2008.
- Parks, recreation and cultural expenses decreased \$4.1 million from the prior year. The new 45,000 square foot City of Fairfax Regional Library was completed in F/Y 2008 and expenses have decreased as the project came to a close.
- Public works expenses decreased \$3.9 million from the prior year. This was directly related to the major reductions in the CIP budget due to the downturn in the economy.

In addition to aggressive cost reductions in discretionary spending, the City has implemented cost cutting measures in the operating departments and has eliminated many CIP projects. Combining this fiscal reality with continuing community expectations of high quality services has forced the City to confront many difficult choices.

Business-type activities - Business activities decreased the City of Fairfax's net assets by \$0.2 million. The key elements in this decrease are as follows:

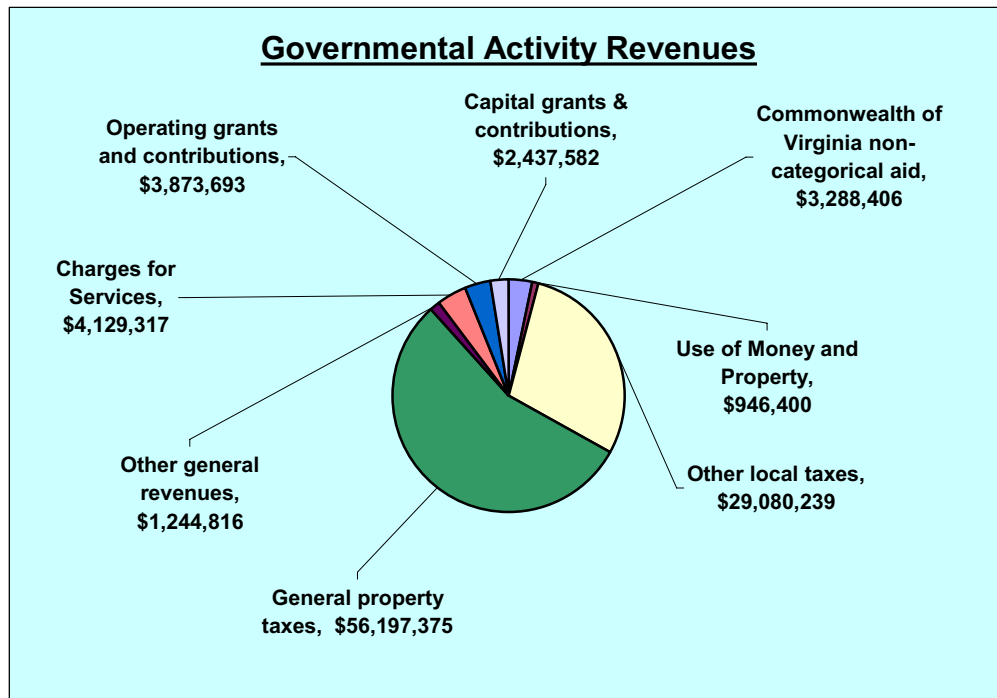
- Rate increases occurred for usage in both the water and sewer.
- Rate increase occurred for all users of the transit system.
- Increase in water usage occurred following the drought in F/Y 2008.
- Increase in expenses in both water and sewer as a result of the lease financing that occurred in F/Y 2008 for Utility Fund capital project needs.
- Increased chemical and utility costs to operate the City's Water Treatment Plant.
- Increased fuel costs and an aging fleet of buses. New hybrid buses will be purchased next year.
- Normal programmed salary increases in the Sewer Fund, Water Fund, and Transportation Fund.

Component unit activities - The School Board decreased net assets by \$3.1 million during the year. Cash on hand has decreased \$5.1 million from prior year now that Lanier Middle School and Fairfax High school renovations are completed.

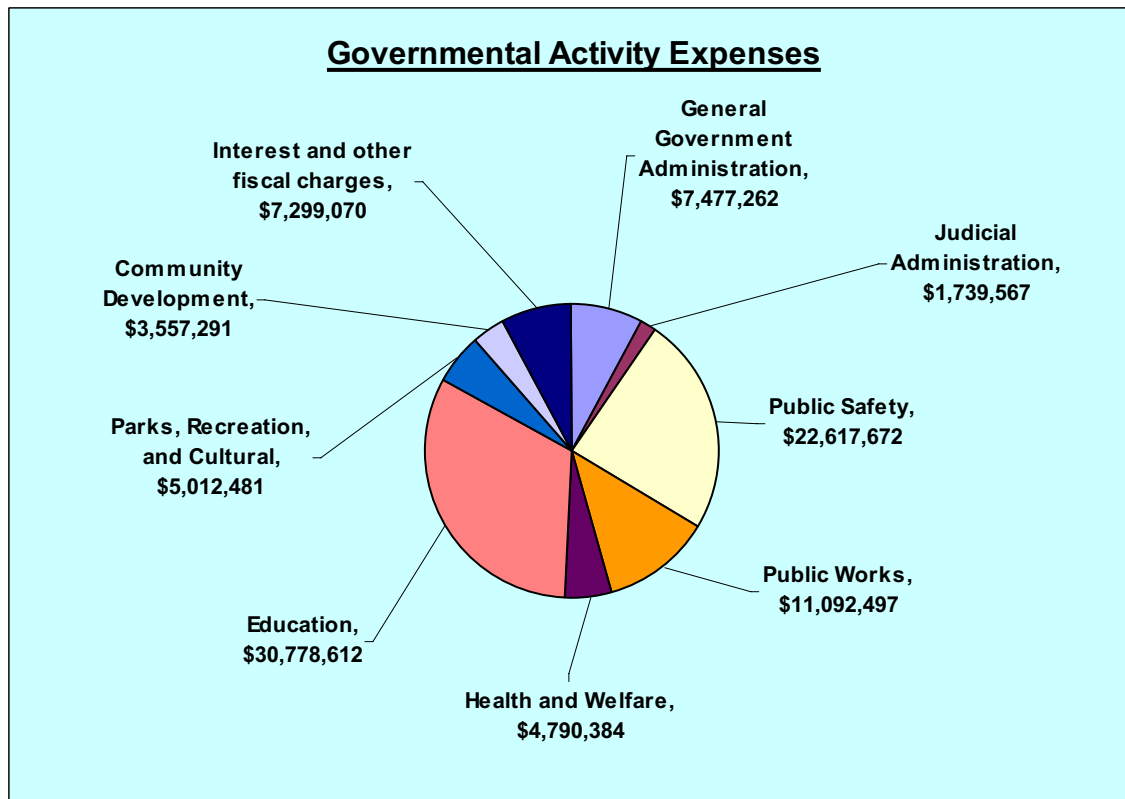
## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE: (CONTINUED)

### Statement of Activities: (Continued)

The chart below provides an overview of FY 09 revenues by program source:



The chart below denotes expenses by major category:



## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE: (CONTINUED)

### Financial Analysis of the City's Funds

As noted earlier, the City used fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$34.6 million, a decrease of \$5 million in comparison with the prior year. Approximately 41.6% of this total amount (\$14.4 million) constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to encumbrances (\$5.1 million) or inventories (\$4.6 million) or designated for capital projects (\$10.4 million) or other (\$0.1 million).

The general fund is the primary operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$14.4 million. The fund balance of the City's general fund decreased \$1.4 million during the current fiscal year. Key factors in the net decrease are as follows:

- The downturn in the real estate market has impacted greatly on the City's budget. Residential Assessments have decreased (8.4%) and the Commercial Assessments have increased 0.7% compared to prior year.
- Sales tax revenue decreased \$4.6 million compared to prior year due to the overall decline in purchasing in these hard economic times (\$2.4 million) and the repayment of prior period sales tax (\$2.2 million) erroneously credited to the City.
- Use of Money and Property decreased \$1.1 million over the prior year. This was directly related to the Federal Government lowering interest rates drastically due to the poor economy.
- In F/Y 2009, the City elected to use a portion of the fund balance to provide a balanced budget. \$1.4 million of fund balance was used to balance the F/Y 2009 budget. This approach was a departure from the City's usual means of balancing revenues and expenditures.

The City's other governmental funds reflected overall decreases in fund balances of \$3.5 million. The total decrease of fund balances consisted of the following: General Capital Projects Fund (\$3.0 million) and the Old Town Fairfax Fund (\$1.2 million). The Other Governmental Funds increased their fund balance by \$ 0.7 million. None of these fund balances are unreserved or available for spending. They are reserved for encumbrances, inventories, or designated for future capital projects.

- Due to fiscal constraints, mid year budget reductions were made to several projects in the General Capital Projects Fund budget, resulting in lower expenditures.
- The General Capital Projects Fund increased in revenue by \$3.3 million mainly due to larger federal reimbursement for the George Mason Boulevard Road project. In the expense area, this George Mason Boulevard Road project also increased by \$2.3 million compared to prior year.
- The Old Town Fairfax Fund revenue decreased by \$0.6 million, mainly in the area of interest on investments due to the Federal interest rate cuts. In addition, the Library project in the Old Town Fairfax Fund was completed during Fiscal Year 2008; therefore Library expenditures were down by \$3.6 million compared to prior year. The majority of the downtown renovations relating to road improvements are completed with work on the undergrounding of utilities continuing.
- The City Council approved the assessment of an additional tax of \$0.08 on all non-residential commercial and industrial properties, as of January 1, 2009. The revenue collected from this tax is to be used solely for new transportation improvements in the City of Fairfax. This \$0.8 million of revenue is reflected under the "Transfer In" line in Exhibit 5 under "Other Governmental Funds."



## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE: (CONTINUED)

### Financial Analysis of the City's Funds: (Continued)

Proprietary funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City has the following proprietary funds: Sewer Fund, Water Fund, and the Transportation Fund. Unrestricted net assets of the Sewer Utility Fund, Water Utility Fund, and Transportation Fund at the end of the year totaled \$3.3, -\$0.6, and \$0.2 million respectively. The total proprietary fund unrestricted net assets decreased by \$4.4 million from prior year.

Major events during the current fiscal year included the following:

- Sewer Capital Asset expenditures including construction in progress increased \$1,049,279. These items included Byrd Drive sewer pumping station, School Street sewer pumping station, and a flush truck.
- A seven percent sewer and water rate increase in order to keep pace with future operating and capital costs.
- Water Capital Asset expenditures including construction in progress increased \$1,842,019. These items included Sideburn Road water main, Main Street water main, and water lines at George Mason University.
- In the Transportation Fund, the City experienced increased fuel costs and is dealing with an aging fleet of buses. There were no Capital Asset additions for the Transportation Fund in F/Y 2009. New Hybrid buses will be purchased in 2010.
- Normal programmed salary increases in the Sewer Fund, Water Fund, and Transportation Fund.

Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Fairfax's business-type activities.

### General Fund Budgetary Highlights Fiscal Year 2009 (in millions)

	Final Budget	Actual	From Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 87.3	\$ 84.7	\$ (2.6)
Intergovernmental	7.9	8.1	0.2
Other	8.6	5.0	(3.6)
<b>Totals</b>	<b>\$ 103.8</b>	<b>\$ 97.8</b>	<b>\$ (6.0)</b>
Expenditures:			
Expenditures	\$ 103.4	\$ 94.9	\$ 8.5
<b>Totals</b>	<b>\$ 103.4</b>	<b>\$ 94.9</b>	<b>\$ 8.5</b>
Excess (deficiency) of revenues over expenditures:	0.4	2.9	2.5
Other financing sources and uses:			
Transfers In			
Transfers Out	(4.1)	(4.3)	(0.2)
<b>Totals</b>	<b>(4.1)</b>	<b>(4.3)</b>	<b>(0.2)</b>
Changes in fund balance	(3.7)	(1.4)	2.3
Fund balance, beginning	3.7	17.1	13.4
Fund balance, ending	\$ -	\$ 15.7	\$ 15.7

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE: (CONTINUED)

### Financial Analysis of the City's Funds: (Continued)

Actual revenues were less than final budget amounts by \$6.0 million, and actual expenditures were under the final budget amounts by \$8.5 million. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2009, include the following:

- The City's actual general property taxes and other local tax revenue were \$2.6 million less than the final budget. Local sales tax, Business license tax, and transient lodging tax revenue all came in less than the final budgeted amount due to the extreme slowdown in the economy and the repayment of prior period sales tax erroneously credited to the City.
- The City's actual other revenue was \$3.6 million less than the final budget. The photo red light program which we budgeted has been delayed due to VDOT requirements. Ambulance transfer fees were budgeted higher than revenue received. This fee was budgeted for the first time in F/Y 2009 and we anticipate more accurate budgeting as we go forward with this service. Recreation expenses were budgeted higher than revenue received because of loss of staff and fewer camp programs.
- Actual expenditures were \$8.5 million less than the final budget amount. Personnel costs (\$2.4), city-county contracts (\$2.5), and contract services (\$0.8) were all reduced by a total of \$5.7 million due to aggressive operating budget cuts and hiring freezes. All departments across the board had mid year budget reductions in many areas. In addition, temporary help, overtime, and travel were all severely cut back.

## CAPITAL ASSETS

At the end of June 30, 2009, the City's governmental activities, business-type activities, and the activities of the Component Unit School Board had invested \$207.4, \$25.6, \$13.5 million net of accumulated depreciation, respectively, in a variety of capital assets, as reflected in the following table.

**Table 3**  
**Statement of Capital Assets**  
**June 30, 2009 and 2008**  
**(In millions)**

	Primary Government						Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2009	2008	2009	2008	2009	2008	2009	2008
Land	\$36.4	\$36.4	\$0.7	\$0.7	\$37.1	\$37.1	\$1.4	\$1.4
Construction in Progress	\$26.8	\$108.8	\$0.7	\$1.8	\$27.5	\$110.6	\$0.0	\$0.0
Depreciable Capital Assets:								
Buildings and Improvements	41.0	38.3	31.0	30.0	72.0	68.3	18.0	22.4
Machinery and Equipment	16.8	16.3	6.8	6.7	23.6	23.0	1.5	1.0
Joint Tenancy Assets	98.3	13.1			98.3	13.1		
Infrastructure	21.4	21.3	26.0	24.3	47.4	45.6	-	-
Accumulated depreciation	(33.3)	(30.7)	(39.6)	(38.2)	(72.9)	(68.9)	(7.4)	(11.8)
<b>Total</b>	<b>\$ 207.4</b>	<b>\$ 203.5</b>	<b>\$ 25.6</b>	<b>\$ 25.3</b>	<b>\$ 233.0</b>	<b>\$ 228.8</b>	<b>\$ 13.5</b>	<b>\$ 13.0</b>

## CAPITAL ASSETS: (CONTINUED)

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amount to \$233.0 million, net of accumulated depreciation. This investment in capital assets includes land, construction in progress, buildings, improvements, and machinery and equipment, and infrastructure. Infrastructure items include roadways, bridges, storm drainage areas, sewer lines, water lines, sidewalks, curbing, bike paths and traffic lights. The net increase in the City's investment in capital assets for the current fiscal year was \$4.2 million (a \$3.9 million increase for governmental activities and a \$ 0.3 million increase for business-type activities).

Major capital asset transactions of the City during the current fiscal year in both the governmental and business-type activities included the following:

- Completion of the Interpretive Center Building for \$2,692,353.
- Completion of the fuel system at the Property Yard for \$141,539.
- Purchase of Cable TV Equipment for \$61,449.
- Purchase of 6 vehicles/trucks for \$309,874.
- Purchase of a safety upgrades to generators for \$32,690.
- Haynsworth Road Storm Drainage improvements for \$107,402.
- Purchase of ambulance cots \$20,656.
- Purchase of IT equipment & software for \$109,706.
- City Hall improvements for \$32,283.
- Improvements to Byrd Drive & School Street Sewer Pump Stations for \$968,544.
- Water Lines throughout the City for \$498,605.
- Water main improvements at Sideburn Road for \$637,745.
- Water main improvements at Main Street for \$637,745.
- Purchase of a Flush Truck for \$80,735.
- Purchase of a Utility Pump for \$30,854.
- Construction in progress activity included: Drainage projects, road improvements, Old Town redevelopment projects, recreation projects, community center, fire training safety building, and water main/water plant improvements.

The City's investment in capital assets for its School Board component unit as of June 30, 2009, was \$13.5 million, net of accumulated depreciation. The net increase in the City's investment in capital assets for the current fiscal year for Schools was \$0.5 million (net of accumulated depreciation). The investment in capital assets is comprised of the same categories as listed above for the City.

The major capital asset events of the School Board Component Unit during the fiscal year included the following:

- Completion of the construction/renovation of Fairfax High School and Lanier Intermediate School improvement projects. The final cost of these projects are as follows:
  - Fairfax High School renovations for \$51,495,705.
  - Lanier Middle School for \$37,192,972.
- Construction/renovation of 3 Language Labs at Fairfax High School for \$209,370.
- Construction/renovation of a (6) lane athletic running track at Fairfax High School for \$395,023.
- Construction/renovation of stadium lighting at Fairfax High School for \$378,078.
- Construction/renovation of a vault pit at Fairfax High School for \$16,634.
- Construction/renovation of a football field storage building at Fairfax High School for \$10,279.

Additional information on the City of Fairfax's capital assets can be found in Note 6 of this report.

# CITY OF FAIRFAX'S OUTSTANDING DEBT

## General Obligation, Revenue Bonds and Notes Payable

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds						
2005 School Bonds (3)	\$ 43.3	\$ 44.1	\$ -	\$ -	\$ 43.3	\$ 44.1
2005 School Refunding Bonds (3)	11.8	11.8	-	-	11.8	11.8
2004 School Bonds (3)	39.7	40.5	-	-	39.7	40.5
2004 GO Refunding Bonds	-	0.7	-	-	-	0.7
2002 Public Improvements	15.5	16.3	-	-	15.5	16.3
1998 School Bonds (3)	-	1.3	-	-	-	1.3
2004 Water Refunding Bonds	-	-	-	0.2	-	0.2
2008 Utility Revenue Bonds (10)	-	-	4.8	4.8	4.8	4.8
Fairfax County Note Payable (1)	0.6	0.7	-	0.1	0.6	0.8
Open Space Land Purchases Notes Payable (4)	5.0	5.8	-	-	5.0	5.8
Historic Restoration of Blenheim and Open Space Purchases Note Payable (5)	3.9	4.6	-	-	3.9	4.6
Downtown Redevelopment Note Payable (6)	39.0	39.3	-	-	39.0	39.3
School Improvements Note Payable (3) (7)	7.7	8.0	-	-	7.7	8.0
Road Improvements Note Payable (8)	1.7	1.7	-	-	1.7	1.7
Park Improvements Note Payable (9)	5.6	5.8	-	-	5.6	5.8
Eleven Oaks Note Payable (11)	4.2	4.2	-	-	4.2	4.2
Gross debt	\$ 178.0	184.8	4.8	5.1	182.8	189.9
Less self-supporting debt:						
Water revenue	\$ -	-	4.8	5.0	-	5.0
Sewer Treatment Plant	-	-	-	0.1	-	0.1
Total self-supporting	\$ -	-	5.1	0.5	-	5.1
Net Direct Debt (2)	\$ 178.0	\$ 184.8	\$ -	\$ -	\$ 182.8	\$ 184.8

### Notes:

- (1) Fairfax County note payable.
- (2) Net direct debt excludes debt service on General Obligation Bonds supported by revenues of the water and sewer systems. Revenues of the water and sewer system have been sufficient to cover debt service on such bonds.
- (3) The financing liability of all School Board capital asset projects has to be reflected in the City's Statement of Net Assets; the City is legally obligated for the retirement of the debt.
- (4) Open Space land purchases notes payable.
- (5) Financing for Restoration to the Blenheim House and an Open Space Land purchase.
- (6) Downtown Redevelopment Financing.
- (7) Financing for the school construction improvements to Lanier Intermediate.
- (8) Jermantown Road improvements.
- (9) Improvements to Stafford, Draper, and Providence Parks.
- (10) Water and Sewer system projects.
- (11) Enable City to complete the George Mason Boulevard Road project.

Capital leases have not been included in the table above. The outstanding amount for the capital lease is \$388,821. Amounts due for compensated absences have also been omitted in the table above.

Additional information on the City of Fairfax's long-term debt can be found on Note 7 of this report.

## **ECONOMIC FACTORS**

In stark contrast to today's realities, the past several years have brought transforming change to our community. A casual look around the City is testament to the remarkable achievements by visionary political leadership and an engaged citizenry. The City is responsible for a rebuilt and resurgent downtown, new Library, new City Hall and Police Station, new schools, and new parks, ball fields and rejuvenated historic properties. Not willing to settle just for the renewal of the public infrastructure, the City is focused on the issue of needed economic sustainability with the preparation the Fairfax Boulevard Master Plan. Fairfax Boulevard is the City's economic engine, providing nearly 40 percent of all tax revenues generated from the community. This plan has the potential of strengthening the economic fabric of the community in a similar fashion as has the new infrastructure given a new face to the community. This project will consist of a comprehensive revitalization project that will involve public improvements to the street and landscaping and private construction of new commercial and residential buildings.

Though challenged by the downturn in the national, regional and local economies, the financial benefits realized by the investments in City infrastructure over the last several years have helped reduce the negative impact on current and projected City revenues. The declining residential real estate market continues to put pressure on the City's budget however the commercial real estate market has remained healthy, minimizing the impact of the depressed residential real estate assessments. Office space vacancy rates (10.5%) and retail vacancy rates (6.0%) in the City have increased over the past year but remain lower than most other Northern Virginia jurisdictions. The downturn in the economy and the worsening economic forecast coupled with continuing community expectations for high quality services will force the City to confront difficult choices. Future revenue from a limping national and local economy may not keep up with the expenditures necessary to maintain today's high level of services. While challenges lie ahead and the City's financial position is not as robust as in recent years, it will still allow our community to remain among the strongest financially rated communities in the United States.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Director of Finance, City of Fairfax, 10455 Armstrong Street, Fairfax, Virginia 22030, telephone (703) 385-7870, or visit the City's web site at [www.fairfaxva.gov](http://www.fairfaxva.gov).

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## **BASIC FINANCIAL STATEMENTS**

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## **Government-wide Financial Statements**

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Statement of Net Assets  
June 30, 2009

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	School Board	Nonmajor Component Units
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 28,333,464	\$ 3,877,458	\$ 32,210,922	\$ 2,984,546	\$ 281,222
Receivables (net of allowance for uncollectibles):					
Property taxes	1,750,848	-	1,750,848	-	-
Accounts receivable	1,000,326	2,060,381	3,060,707	-	-
Due from other governments	4,498,256	491,507	4,989,763	2,135,518	-
Due from component unit	2,362,648	-	2,362,648	-	-
Inventories	4,619,241	82,261	4,701,502	-	2,342,732
Prepaid items	63,593	-	63,593	-	53,000
Advance from component unit	53,000	-	53,000	-	-
Total Current Assets	\$ 42,681,376	\$ 6,511,607	\$ 49,192,983	\$ 5,120,064	\$ 2,676,954
Noncurrent Assets:					
Financing costs, net	\$ 1,135,556	\$ -	\$ 1,135,556	\$ -	\$ -
Investment in Fairfax County sewer treatment plant	\$ -	\$ 2,694,000	\$ 2,694,000	\$ -	\$ -
Capital assets (net of accumulated depreciation):					
Land and improvements	\$ 36,415,069	\$ 663,198	\$ 37,078,267	\$ 1,381,115	\$ -
Buildings and improvements	41,037,984	31,033,155	72,071,139	18,002,340	-
Equipment	16,764,204	6,764,048	23,528,252	1,542,535	-
Joint tenancy assets	98,282,773	-	98,282,773	-	-
Infrastructure	21,389,267	26,049,613	47,438,880	-	-
Construction in progress	26,808,967	732,701	27,541,668	-	-
Less: Accumulated depreciation	(33,335,401)	(39,614,104)	(72,949,505)	(7,417,638)	-
Total capital assets	\$ 207,362,863	\$ 25,628,611	\$ 232,991,474	\$ 13,508,352	\$ -
Total Noncurrent Assets	\$ 208,498,419	\$ 28,322,611	\$ 236,821,030	\$ 13,508,352	\$ -
Total Assets	\$ 251,179,795	\$ 34,834,218	\$ 286,014,013	\$ 18,628,416	\$ 2,676,954
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	\$ 2,887,452	\$ 1,147,890	\$ 4,035,342	\$ 21,755	\$ -
Accrued payroll and benefits	1,248,331	203,506	1,451,837	-	-
Retainage payable	204,645	-	204,645	-	-
Accrued interest payable	3,625,597	95,014	3,720,611	-	73,025
Customer deposits and other liabilities	2,004,510	768,665	2,773,175	-	-
Due to primary government	-	-	-	2,097,648	265,000
Advances payable to primary government	-	-	-	-	53,000
Unearned revenue	450,735	-	450,735	30,000	-
Current portion of long-term obligations	8,099,207	365,571	8,464,778	-	-
Total Current Liabilities	\$ 18,520,477	\$ 2,580,646	\$ 21,101,123	\$ 2,149,403	\$ 391,025
Noncurrent Liabilities:					
Noncurrent portion of long-term obligations	175,103,968	4,949,039	180,053,007	22,778	2,392,305
Total Liabilities	\$ 193,624,445	\$ 7,529,685	\$ 201,154,130	\$ 2,172,181	\$ 2,783,330
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ 34,396,876	\$ 24,450,435	\$ 58,847,311	\$ 13,508,352	\$ -
Unrestricted assets	23,158,474	2,854,098	26,012,572	2,947,883	(106,376)
Total Net Assets	\$ 57,555,350	\$ 27,304,533	\$ 84,859,883	\$ 16,456,235	\$ (106,376)
Total Liabilities and Net Assets	\$ 251,179,795	\$ 34,834,218	\$ 286,014,013	\$ 18,628,416	\$ 2,676,954

The accompanying notes to financial statements are an integral part of this statement.

## CITY OF FAIRFAX, VIRGINIA

Statement of Activities  
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 7,477,262	\$ 239,652	\$ 335,316	\$ -
Judicial administration	1,739,567	768,841	-	-
Public safety	22,617,672	1,571,900	1,361,192	-
Public works	11,092,497	345,774	2,092,878	2,437,582
Health and welfare	4,790,384	-	-	-
Education	30,778,612	-	-	-
Parks, recreation, and cultural	5,012,481	918,688	5,000	-
Community development	3,557,291	284,462	79,307	-
Interest on long-term debt	7,299,070	-	-	-
Total governmental activities	\$ 94,364,836	\$ 4,129,317	\$ 3,873,693	\$ 2,437,582
Business-type activities:				
Sewer	\$ 3,960,547	\$ 3,323,391	\$ -	\$ -
Water	8,420,622	8,893,201	-	-
Transportation	3,048,667	846,825	1,103,651	-
Total business-type activities	\$ 15,429,836	\$ 13,063,417	\$ 1,103,651	\$ -
Total primary government	\$ 109,794,672	\$ 17,192,734	\$ 4,977,344	\$ 2,437,582
COMPONENT UNITS:				
School Board	\$ 39,197,375	\$ 396,955	\$ 6,970,754	\$ -
Nonmajor component units:				
Industrial Development Authority	\$ 783,726	\$ 819,095	\$ -	\$ -
Economic Development Authority	203,086	56,779	-	-
Total nonmajor component units	\$ 986,812	\$ 875,874	\$ -	\$ -
Total component units	\$ 40,184,187	\$ 1,272,829	\$ 6,970,754	\$ -

## General revenues:

General property taxes  
 Local sales and use taxes  
 Business license taxes  
 Consumer utility taxes  
 Meals tax  
 Other local taxes  
 Unrestricted revenues from use of money and property  
 Gain/(loss) on disposal of capital assets  
 Contribution from City  
 Grants and contributions not restricted to specific programs  
 Miscellaneous  
 Transfers  
 Total general revenues and transfers  
 Change in net assets  
 Net assets - beginning  
 Net assets - ending

The accompanying notes to financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	School Board	Nonmajor Component Units	
\$ (6,902,294)	\$ -	\$ (6,902,294)	\$ -	\$ -	
(970,726)	-	(970,726)	-	-	
(19,684,580)	-	(19,684,580)	-	-	
(6,216,263)	-	(6,216,263)	-	-	
(4,790,384)	-	(4,790,384)	-	-	
(30,778,612)	-	(30,778,612)	-	-	
(4,088,793)	-	(4,088,793)	-	-	
(3,193,522)	-	(3,193,522)	-	-	
(7,299,070)	-	(7,299,070)	-	-	
\$ (83,924,244)	\$ -	\$ (83,924,244)	\$ -	\$ -	
\$ -	\$ (637,156)	\$ (637,156)	\$ -	\$ -	
-	472,579	472,579	-	-	
-	(1,098,191)	(1,098,191)	-	-	
\$ -	\$ (1,262,768)	\$ (1,262,768)	\$ -	\$ -	
\$ (83,924,244)	\$ (1,262,768)	\$ (85,187,012)	\$ -	\$ -	
\$ -	\$ -	\$ -	\$ (31,829,666)	\$ -	
\$ -	\$ -	\$ -	\$ -	\$ 35,369	
-	-	-	-	(146,307)	
\$ -	\$ -	\$ -	\$ -	\$ (110,938)	
\$ -	\$ -	\$ -	\$ (31,829,666)	\$ (110,938)	
\$ 56,197,375	\$ -	\$ 56,197,375	\$ -	\$ -	
8,831,495	-	8,831,495	-	-	
8,375,552	-	8,375,552	-	-	
1,512,860	-	1,512,860	-	-	
4,646,735	-	4,646,735	-	-	
5,713,597	-	5,713,597	-	-	
946,400	62,540	1,008,940	1,480,065	4,711	
-	-	-	(3,145,761)	-	
-	-	-	30,408,392	-	
3,288,406	-	3,288,406	-	-	
1,244,816	-	1,244,816	20,000	27,000	
(1,015,000)	1,015,000	-	-	-	
\$ 89,742,236	\$ 1,077,540	\$ 90,819,776	\$ 28,762,696	\$ 31,711	
\$ 5,817,992	\$ (185,228)	\$ 5,632,764	\$ (3,066,970)	\$ (79,227)	
51,737,358	27,489,761	79,227,119	19,523,205	(27,149)	
\$ 57,555,350	\$ 27,304,533	\$ 84,859,883	\$ 16,456,235	\$ (106,376)	

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## **Fund Financial Statements**

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Balance Sheet - Governmental Funds  
At June 30, 2009

	General	General Capital Projects	Old Town Fairfax Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 13,967,442	\$ 3,893,423	\$ 9,070,120	\$ 1,402,479	\$ 28,333,464
Receivables (Net of allowance for uncollectibles):					
Taxes, including penalties	1,750,848	-	-	-	1,750,848
Accounts	956,062	42,401	1,863	-	1,000,326
Inventories	566,848	4,052,393	-	-	4,619,241
Prepaid items	60,504	-	3,089	-	63,593
Due from other governmental units	2,623,529	1,874,727	-	-	4,498,256
Advance from component unit	53,000	-	-	-	53,000
Due from component units	2,102,648	160,000	100,000	-	2,362,648
Total assets	<u>\$ 22,080,881</u>	<u>\$ 10,022,944</u>	<u>\$ 9,175,072</u>	<u>\$ 1,402,479</u>	<u>\$ 42,681,376</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 2,285,792	\$ 567,892	\$ 29,558	\$ 4,210	\$ 2,887,452
Accrued payroll and benefits	1,248,331	-	-	-	1,248,331
Retainage payable	-	96,871	107,774	-	204,645
Customer deposits and other liabilities	1,183,676	820,834	-	-	2,004,510
Deferred revenue	1,664,049	31,000	-	-	1,695,049
Total liabilities	<u>\$ 6,381,848</u>	<u>\$ 1,516,597</u>	<u>\$ 137,332</u>	<u>\$ 4,210</u>	<u>\$ 8,039,987</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances	\$ 574,946	\$ 4,299,630	\$ 219,250	\$ 7,066	\$ 5,100,892
Advance to component unit	53,000	-	-	-	53,000
Prepaid items	60,504	-	3,089	-	63,593
Asset forfeiture	23,167	-	-	-	23,167
Inventories	566,848	4,052,393	-	-	4,619,241
Unreserved:					
Designated:					
Capital projects funds	-	154,324	8,815,401	1,391,203	10,360,928
Undesignated:					
General fund	14,420,568	-	-	-	14,420,568
Total fund balances	<u>\$ 15,699,033</u>	<u>\$ 8,506,347</u>	<u>\$ 9,037,740</u>	<u>\$ 1,398,269</u>	<u>\$ 34,641,389</u>
Total liabilities and fund balances	<u>\$ 22,080,881</u>	<u>\$ 10,022,944</u>	<u>\$ 9,175,072</u>	<u>\$ 1,402,479</u>	<u>\$ 42,681,376</u>

The accompanying notes to financial statements are an integral part of this statement.

Reconciliation of the Balance Sheet of the Governmental Funds  
to the Statement of Net Assets  
Fiscal Year Ended June 30, 2009

		<u>Primary Government</u>
Total fund balances - governmental funds	\$	34,641,389
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit 1) are different because:		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds:		
Capital assets	\$ 240,698,264	
Less: accumulated depreciation	<u>(33,335,401)</u>	207,362,863
Deferred revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds.		
		1,244,314
Other assets used in governmental activities are not financial resources and therefore not reported in the governmental funds:		
Financing costs	\$ 1,446,504	
Less: accumulated amortization	<u>(310,948)</u>	1,135,556
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		
Interest payable		(3,625,597)
Long-term liabilities, including bonds payable, are not due and payable in the current current period and therefore are not reported as liabilities in the governmental funds.		
General obligation bonds	\$ (110,300,000)	
Lease revenue bonds	(39,030,000)	
Notes payable	(28,671,254)	
Capital lease	(388,821)	
Premiums on bonds payable	(2,629,789)	
Deferred loss on financing	650,074	
Other post employment benefits	(714,548)	
Compensated absences	<u>(2,118,837)</u>	
Total long-term liabilities		<u>(183,203,175)</u>
Net assets of governmental activities	\$	<u>57,555,350</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds  
Year Ended June 30, 2009

	Governmental Funds				Total Governmental Funds
	General	General Capital Projects	Old Town Fairfax Fund	Other Governmental Funds	
Revenues:					
General property taxes	\$ 55,639,263	\$ -	\$ -	\$ -	\$ 55,639,263
Other local taxes	29,080,239	-	-	-	29,080,239
Permits, privilege fees and regulatory licenses	1,065,393	163,058	-	-	1,228,451
Fines and forfeitures	873,601	-	-	-	873,601
Revenue from use of money and property	817,989	-	128,411	-	946,400
Charges for services	2,027,265	-	-	-	2,027,265
Miscellaneous	239,191	1,005,625	-	-	1,244,816
Recovered costs	-	420,009	-	-	420,009
Intergovernmental:					
Contribution from the School Board	-	45,000	-	-	45,000
Fairfax County	908,145	-	-	-	908,145
Commonwealth	6,500,582	-	-	-	6,500,582
Federal	661,517	2,437,582	-	-	3,099,099
Total revenues	\$ 97,813,185	\$ 4,071,274	\$ 128,411	\$ -	\$ 102,012,870
Expenditures:					
Current:					
General government administration	\$ 6,911,534	\$ 42,700	\$ -	\$ -	\$ 6,954,234
Judicial administration	1,720,033	-	-	-	1,720,033
Public safety	21,599,820	145,936	-	-	21,745,756
Public works	10,721,180	4,525,840	-	22,139	15,269,159
Health and welfare	4,746,065	-	-	-	4,746,065
Education	27,710,855	13,250	-	-	27,724,105
Parks, recreation, and cultural	4,437,530	4,292,107	248,143	-	8,977,780
Community development	1,842,844	-	1,662,157	-	3,505,001
Debt service:					
Principal retirement	6,951,253	-	-	-	6,951,253
Interest and other fiscal charges	8,319,147	-	-	-	8,319,147
Total expenditures	\$ 94,960,261	\$ 9,019,833	\$ 1,910,300	\$ 22,139	\$ 105,912,533
Excess (deficiency) of revenues over expenditures	\$ 2,852,924	\$ (4,948,559)	\$ (1,781,889)	\$ (22,139)	\$ (3,899,663)
Other financing sources (uses):					
Transfers in	\$ 50,773	\$ 1,968,335	\$ 613,106	\$ 751,515	\$ 3,383,729
Transfers (out)	(4,327,956)	-	(70,773)	-	(4,398,729)
Total other financing sources (uses)	\$ (4,277,183)	\$ 1,968,335	\$ 542,333	\$ 751,515	\$ (1,015,000)
Net changes in fund balances	\$ (1,424,259)	\$ (2,980,224)	\$ (1,239,556)	\$ 729,376	\$ (4,914,663)
Fund balances at beginning of year	17,123,292	11,486,571	10,277,296	668,893	39,556,052
Fund balances at end of year	\$ 15,699,033	\$ 8,506,347	\$ 9,037,740	\$ 1,398,269	\$ 34,641,389

The accompanying notes to financial statements are an integral part of this statement.

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2009

		<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds	\$	(4,914,663)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following details support this adjustment:		
Capital outlay	\$ 9,842,310	
Depreciation expense	<u>(3,057,295)</u>	6,785,015
The net effect of various miscellaneous transactions involving capital assets is to decrease net assets.		(224,341)
Transfer of assets from Primary Government to the Component Unit School Board		(2,742,537)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of:		
Deferred taxes		558,112
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:		
Debt issued or incurred:		
Principal repayments on debt:	\$	
Principal retired on general obligation debt	4,467,655	
Principal retired on lease revenue bonds	300,000	
Principal retired on notes payable	2,097,706	
Principal retired on capital lease obligations	<u>85,892</u>	6,951,253
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Change in accrued interest payable	\$ 104,503	
Change in compensated absences	7,769	
Change in other post employment benefits	(714,548)	
Capitalized financing costs	(68,073)	
Amortization of premiums on bonds payable	147,732	
Amortization of loss on refunding	<u>(72,230)</u>	(594,847)
Change in net assets of governmental activities	\$	<u>5,817,992</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual - General Fund  
Year Ended June 30, 2009

Fund, Function, Activity, Element	General Fund			
	Original Budget	Final Budget	Actual	From Final Budget Positive (Negative)
Revenues:				
General property taxes	\$ 55,803,662	\$ 52,822,711	\$ 55,639,263	\$ 2,816,552
Other local taxes	34,495,290	34,495,290	29,080,239	(5,415,051)
Permits, privilege fees and regulatory licenses	1,369,743	1,369,743	1,065,393	(304,350)
Fines and forfeitures	1,125,000	1,125,000	873,601	(251,399)
Revenue from use of money and property	864,113	864,113	817,989	(46,124)
Charges for services	2,323,069	2,323,069	2,027,265	(295,804)
Miscellaneous	2,853,805	2,874,274	239,191	(2,635,083)
Intergovernmental:				
Fairfax County	911,546	911,546	908,145	(3,401)
Commonwealth	3,354,133	6,374,634	6,500,582	125,948
Federal	306,400	662,669	661,517	(1,152)
Total revenues	\$ 103,406,761	\$ 103,823,049	\$ 97,813,185	\$ (6,009,864)
Expenditures:				
General government administration:				
Legislative:				
City council	\$ 83,453	\$ 68,453	\$ 30,988	\$ 37,465
City clerk	165,998	163,998	161,324	2,674
Total legislative	\$ 249,451	\$ 232,451	\$ 192,312	\$ 40,139
Board of elections:				
Electoral board	\$ 180,256	\$ 177,403	\$ 150,072	\$ 27,331
General and financial administration:				
City manager	\$ 421,764	\$ 421,764	\$ 394,167	\$ 27,597
City attorney	526,451	526,451	457,151	69,300
Public audit of accounts	105,936	117,936	84,082	33,854
Treasurer	626,155	621,155	599,483	21,672
Commissioner of revenue	905,924	905,924	884,576	21,348
Personnel	604,912	583,991	474,662	109,329
Community relations	179,150	174,440	144,092	30,348
Cable television	116,605	110,833	76,082	34,751
Information technology	2,069,520	2,035,463	1,744,114	291,349
Printing and office supplies	308,335	303,335	275,068	28,267
Motor pool	-	3,870	11,517	(7,647)
Telephone services	158,702	158,702	149,088	9,614
Finance and Accounting	710,214	707,216	662,248	44,968
Real estate assessment	522,770	520,770	469,910	50,860
Marketing	209,924	181,575	183,230	(1,655)
Retirement	54,600	54,600	32,050	22,550
Budget savings	-	1,739,993	-	1,739,993
Salary vacancy factor	(1,101,311)	(1,101,311)	-	(1,101,311)
Risk management	25,917	22,217	(72,370)	94,587
Total general and financial administration	\$ 6,445,568	\$ 8,088,924	\$ 6,569,150	\$ 1,519,774
Total general government administration	\$ 6,875,275	\$ 8,498,778	\$ 6,911,534	\$ 1,587,244

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual - General Fund  
Year Ended June 30, 2009

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Judicial administration:				
General district court	\$ 29,600	\$ 29,600	\$ 14,355	\$ 15,245
Joint court service	745,345	745,345	669,685	75,660
Jail and custody services	979,166	979,166	1,035,993	(56,827)
Total judicial administration	\$ 1,754,111	\$ 1,754,111	\$ 1,720,033	\$ 34,078
Public safety:				
Police administration	\$ 1,138,458	\$ 1,048,286	\$ 934,485	\$ 113,801
Police services	3,683,504	3,876,739	3,271,823	604,916
Police operations	6,514,417	6,514,830	6,184,598	330,232
Fire and rescue administration	994,872	1,086,137	986,361	99,776
Fire and rescue suppression	9,002,229	8,770,437	8,382,145	388,292
Code enforcement	1,849,304	1,938,420	1,840,408	98,012
Total public safety	\$ 23,182,784	\$ 23,234,849	\$ 21,599,820	\$ 1,635,029
Public works:				
Highways	\$ 1,958,826	\$ 1,908,103	\$ 1,855,452	\$ 52,651
Snow and ice removal	242,293	205,129	198,354	6,775
Storm drainage	723,285	696,056	624,745	71,311
Highways, lighting, and signals	1,857,910	1,989,836	1,822,651	167,185
Refuse collection	2,501,669	2,491,627	2,288,078	203,549
Building maintenance	1,590,151	1,691,391	1,607,640	83,751
Street right of way and public grounds	1,398,217	1,303,814	1,196,684	107,130
Administration	971,864	967,622	927,185	40,437
County agent	37,797	37,797	40,814	(3,017)
Regional agencies	157,684	157,684	159,577	(1,893)
Total public works	\$ 11,439,696	\$ 11,449,059	\$ 10,721,180	\$ 727,879
Health and welfare:				
Health service department	\$ 957,903	\$ 957,903	\$ 1,024,084	\$ (66,181)
Commission for women	1,650	1,650	634	1,016
Community Services Board	1,422,621	1,422,621	1,422,261	360
Senior citizen tax relief	1,000,000	1,000,000	868,065	131,935
Social services	1,500,792	1,480,792	1,354,925	125,867
Human services coordinator	82,649	82,649	76,096	6,553
Total health and social services	\$ 4,965,615	\$ 4,945,615	\$ 4,746,065	\$ 199,550
Education:				
Contribution to Fairfax City School Board	\$ 32,707,010	\$ 30,894,544	\$ 27,710,855	\$ 3,183,689

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual - General Fund  
Year Ended June 30, 2009

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Parks, recreation and cultural:				
Recreation - administration	\$ 2,011,552	\$ 1,932,933	\$ 1,674,468	\$ 258,465
Special events	350,962	328,558	274,633	53,925
Parks and ball field maintenance	1,142,118	959,278	851,948	107,330
Recreation - historic resources	542,728	569,795	573,203	(3,408)
Recreation - old town hall	149,225	164,724	154,533	10,191
Total recreation	\$ 4,196,585	\$ 3,955,288	\$ 3,528,785	\$ 426,503
Library services	\$ 912,014	\$ 912,014	\$ 908,745	\$ 3,269
Total parks, recreation and cultural	\$ 5,108,599	\$ 4,867,302	\$ 4,437,530	\$ 429,772
Planning and community development:				
Planning	\$ 1,145,750	\$ 1,088,750	\$ 891,131	\$ 197,619
Community development	979,293	986,201	759,625	226,576
Economic development	284,611	233,160	192,088	41,072
Total planning and community development	\$ 2,409,654	\$ 2,308,111	\$ 1,842,844	\$ 465,267
Debt service:				
Principal retirement	\$ 7,014,752	\$ 7,014,752	\$ 6,951,253	\$ 63,499
Interest and fiscal charges	8,394,381	8,394,381	8,319,147	75,234
Total debt service	\$ 15,409,133	\$ 15,409,133	\$ 15,270,400	\$ 138,733
Total expenditures	\$ 103,851,877	\$ 103,361,502	\$ 94,960,261	\$ 8,401,241
Excess (deficiency) of revenues over expenditures	\$ (445,116)	\$ 461,547	\$ 2,852,924	\$ 2,391,377
Other financing sources (uses):				
Transfers in	\$ -	\$ 5,000	\$ 50,773	\$ 45,773
Transfers (out)	(3,662,792)	(4,117,707)	(4,327,956)	(210,249)
Total other financing sources (uses)	\$ (3,662,792)	\$ (4,112,707)	\$ (4,277,183)	\$ (164,476)
Net changes in fund balance	\$ (4,107,908)	\$ (3,651,160)	\$ (1,424,259)	\$ 2,226,901
Fund balance at beginning of year	4,107,908	3,651,160	17,123,292	13,472,132
Fund balance at end of year	\$ -	\$ -	\$ 15,699,033	\$ 15,699,033

The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Assets - Proprietary Funds  
June 30, 2009

	Business-type Activities - Enterprise Funds			
	Major Funds		Non-Major Fund	Totals
	Sewer Utility Fund	Water Utility Fund	Transportation Fund	
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 898,595	\$ 2,973,628	\$ 5,235	\$ 3,877,458
Receivables (net of allowance for uncollectibles):				
Accounts receivable	526,539	1,533,842	-	2,060,381
Due from other governments	-	-	491,507	491,507
Inventories	-	82,261	-	82,261
Total Current Assets	\$ 1,425,134	\$ 4,589,731	\$ 496,742	\$ 6,511,607
Noncurrent Assets				
Investment in Fairfax County sewer treatment plant	\$ 2,694,000	\$ -	\$ -	\$ 2,694,000
Capital assets:				
Land and improvements	\$ 17,583	\$ 645,615	\$ -	\$ 663,198
Buildings and improvements	1,264,570	29,541,627	226,958	31,033,155
Equipment	949,355	2,181,637	3,633,056	6,764,048
Water and sewer infrastructure	8,007,231	18,042,382	-	26,049,613
Construction in progress	-	732,701	-	732,701
Less: Accumulated depreciation	(5,193,225)	(31,674,478)	(2,746,401)	(39,614,104)
Total Capital Assets (net)	\$ 5,045,514	\$ 19,469,484	\$ 1,113,613	\$ 25,628,611
Total Noncurrent Assets	\$ 7,739,514	\$ 19,469,484	\$ 1,113,613	\$ 28,322,611
Total Assets	\$ 9,164,648	\$ 24,059,215	\$ 1,610,355	\$ 34,834,218
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 705,745	\$ 440,426	\$ 1,719	\$ 1,147,890
Accrued payroll and benefits	20,345	104,024	79,137	203,506
Accrued interest	-	95,014	-	95,014
Customer deposits and other liabilities	16,500	752,165	-	768,665
Current portion of other post employment benefits	29,374	68,569	48,929	146,872
Current portion of compensated absences	-	8,678	41,021	49,699
Current portion of notes and bonds payable	-	169,000	-	169,000
Total Current Liabilities	\$ 771,964	\$ 1,637,876	\$ 170,806	\$ 2,580,646
Noncurrent Liabilities				
Noncurrent portion of compensated absences	\$ 66,943	\$ 136,586	\$ 93,510	\$ 297,039
Noncurrent portion of notes and bonds payable	-	4,652,000	-	4,652,000
Total Noncurrent Liabilities	\$ 66,943	\$ 4,788,586	\$ 93,510	\$ 4,949,039
Total Liabilities	\$ 838,907	\$ 6,426,462	\$ 264,316	\$ 7,529,685
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 5,045,514	\$ 18,291,308	\$ 1,113,613	\$ 24,450,435
Unrestricted assets	3,280,227	(658,555)	232,426	2,854,098
Total Net Assets	\$ 8,325,741	\$ 17,632,753	\$ 1,346,039	\$ 27,304,533
Total Liabilities and Net Assets	\$ 9,164,648	\$ 24,059,215	\$ 1,610,355	\$ 34,834,218

The accompanying notes to financial statements are an integral part of this statement.



Statement of Revenues, Expenses and Changes in Net Assets -  
 Proprietary Funds  
 Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds			
	Major Funds		Non-Major Fund	
	Sewer Utility Fund	Water Utility Fund	Transportation Fund	Totals
Operating revenues:				
Charges for services	\$ 3,322,990	\$ 8,385,826	\$ 846,825	\$ 12,555,641
Other operating revenues	401	507,375	-	507,776
Total operating revenues	\$ 3,323,391	\$ 8,893,201	\$ 846,825	\$ 13,063,417
Operating expenses:				
Salaries	\$ 461,397	\$ 2,080,873	\$ 1,594,961	\$ 4,137,231
Fringe benefits	174,005	727,802	541,991	1,443,798
Contractual services	2,076,992	422,774	55,644	2,555,410
Internal services	555,851	1,467,500	547,500	2,570,851
Other operating expenses	94,498	1,894,218	89,742	2,078,458
Miscellaneous capital outlay	181,499	566,123	-	747,622
Depreciation and amortization	414,892	1,038,371	218,829	1,672,092
Total operating expenses	\$ 3,959,134	\$ 8,197,661	\$ 3,048,667	\$ 15,205,462
Income (loss) from operations	\$ (635,743)	\$ 695,540	\$ (2,201,842)	\$ (2,142,045)
Nonoperating revenues (expenses):				
Interest income	\$ 15,136	\$ 47,404	\$ -	\$ 62,540
Interest expense	(1,413)	(222,961)	-	(224,374)
Northern Virginia Transportation Commission	-	-	1,094,021	1,094,021
State grant revenue	-	-	9,630	9,630
Total nonoperating revenues (expenses)	\$ 13,723	\$ (175,557)	\$ 1,103,651	\$ 941,817
Net income (loss) before transfers	\$ (622,020)	\$ 519,983	\$ (1,098,191)	\$ (1,200,228)
Transfers:				
Transfers in	\$ -	\$ -	\$ 1,020,000	\$ 1,020,000
Transfers (out)	(2,500)	(2,500)	-	(5,000)
Net operating transfers	\$ (2,500)	\$ (2,500)	\$ 1,020,000	\$ 1,015,000
Change in net assets	\$ (624,520)	\$ 517,483	\$ (78,191)	\$ (185,228)
Net assets, beginning of year	8,950,261	17,115,270	1,424,230	27,489,761
Net assets, end of year	\$ 8,325,741	\$ 17,632,753	\$ 1,346,039	\$ 27,304,533

The accompanying notes to financial statements are an integral part of this statement.

Statement of Cash Flows - Proprietary Funds  
Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds			
	Major Funds		Non-Major Fund	
	Sewer Utility Fund	Water Utility Fund	Transportation Fund	Totals
Cash flows from operating activities:				
Receipts from customers and users	\$ 3,399,285	\$ 8,916,724	\$ 846,825	\$ 13,162,834
Payments to employees (including fringe benefits)	(598,211)	(2,758,185)	(2,089,632)	(5,446,028)
Payments for operating activities	(2,793,484)	(4,256,140)	(697,024)	(7,746,648)
Net cash provided by (used in) operating activities	\$ 7,590	\$ 1,902,399	\$ (1,939,831)	\$ (29,842)
Cash flows from non-capital financing activities:				
Transfers in	\$ -	\$ -	\$ 1,020,000	\$ 1,020,000
Transfers (out)	(2,500)	(2,500)	-	(5,000)
Intergovernmental grants	-	-	915,079	915,079
Net cash provided by (used in) non-capital financing activities	\$ (2,500)	\$ (2,500)	\$ 1,935,079	\$ 1,930,079
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (101,057)	\$ (1,643,422)	\$ -	\$ (1,744,479)
Principal paid on bonds and notes	(47,452)	(195,885)	-	(243,337)
Interest paid on debt	(1,884)	(128,544)	-	(130,428)
Net cash provided by (used in) capital and related financing activities	\$ (150,393)	\$ (1,967,851)	\$ -	\$ (2,118,244)
Cash flows from investing activities:				
Interest earned	\$ 15,136	\$ 47,404	\$ -	\$ 62,540
Net increase (decrease) in cash and cash equivalents	\$ (130,167)	\$ (20,548)	\$ (4,752)	\$ (155,467)
Cash and cash equivalents at beginning of year	1,028,762	2,994,176	9,987	4,032,925
Cash and cash equivalents at end of year	\$ 898,595	\$ 2,973,628	\$ 5,235	\$ 3,877,458
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Cash flows from operations:				
Income (loss) from operations	\$ (635,743)	\$ 695,540	\$ (2,201,842)	\$ (2,142,045)
Adjustment to reconcile net income to net cash provided by (used in) operations:				
Depreciation and amortization	414,892	1,038,371	218,829	1,672,092
Changes in operating accounts:				
(Increase) decrease in:				
Accounts receivable and prepaids	75,894	23,523	-	99,417
Inventories	-	(37,662)	-	(37,662)
Increase (decrease) in:				
Accounts payable	115,357	165,435	(4,138)	276,654
Accrued payroll	(2,755)	(1,761)	1,630	(2,886)
Compensated absences	10,571	(16,318)	(3,239)	(8,986)
Other post employment benefits	29,374	68,569	48,929	146,872
Customer deposits and other liabilities	-	(33,298)	-	(33,298)
Net cash provided by (used in) operating activities	\$ 7,590	\$ 1,902,399	\$ (1,939,831)	\$ (29,842)

The accompanying notes to financial statements are an integral part of this statement.

Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2009

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**Assets**

Cash and cash equivalents	\$ 140
Mutual funds	69,914,683
Stocks	18,668,778
Accrued interest	<u>17,856</u>
 Total assets	 \$ <u><u>88,601,457</u></u>

**Net Assets**

Held in trust for pension benefits	\$ <u><u>88,601,457</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Assets  
 Fiduciary Funds  
 Fiscal Year Ended June 30, 2009

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**Additions**

Plan members contributions	\$ 1,445,614
Investment income:	
Interest and dividends earned on investments	\$ 1,436,644
Net appreciation in fair value of investments	(20,687,352)
Total investment income	\$ (19,250,708)
Less: Investment expenses	552,259
Net investment income	\$ (19,802,967)
Total additions	\$ (18,357,353)

**Deductions**

Retirement and disability benefits	\$ 4,626,306
Refunds to members	123,346
Total deductions	\$ 4,749,652
Change in net assets	\$ (23,107,005)

Net assets - beginning	111,708,462
Net assets - ending	\$ 88,601,457

The accompanying notes to financial statements are an integral part of this statement.

## CITY OF FAIRFAX, VIRGINIA

### Notes to the Financial Statements As of June 30, 2009

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#### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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The financial statements of the City of Fairfax, Virginia, conform with accounting principles generally accepted in the United States of America as applied to government units promulgated by the Governmental Accounting Standards Board (GASB). The more significant of the government's accounting policies are described below.

##### **A. Entity and Services**

The City of Fairfax, Virginia (the "City") is a political subdivision of the Commonwealth of Virginia. Cities in Virginia are separate from counties, and thus, the City is not part of any other political subdivision. Citizens elect a Mayor and a six-member City Council to two-year terms and a Treasurer and Commissioner of Revenue to four-year terms. The Mayor and the Council appoint a City Manager to act as chief executive.

The City provides the following services: public safety (police and fire), community development (planning and zoning), public works (streets, etc.), water treatment and distribution, sewage collection, refuse collection, and local bus service. The City contracts with Fairfax County and the Commonwealth of Virginia to provide the following services to its residents: courts, correctional facilities, educational services (in City-owned buildings), welfare, libraries, and sewage treatment.

##### **B. Financial Reporting Entity**

For financial reporting purposes, in conformance with Governmental Accounting Standards Board pronouncements, the City's Basic Financial Statements include all funds, agencies, boards, commissions, authorities and other governmental organizations for which the City has financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the Primary Government to impose its will on the organization or if there is a financial benefit/burden relationship. Also, an organization that is fiscally dependent on the Primary Government should be included in its reporting entity.

The financial statements represent the City of Fairfax, Virginia (the Primary Government) and its Component Units. The Component Units discussed below are included in the City's reporting entity because of the significance of the operational or financial relationship with the City.

Blended Component Units - Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City has no blended component units.

Discretely Presented Component Units - Discretely presented component units are reported separate from the primary government to emphasize that they are legally separate from the City. The following organizations have been included in the reporting entity as discretely presented component units:

City of Fairfax School Board - The City of Fairfax School Board is responsible for educating the school age population of the City. The School Board has entered into a contractual school services agreement with the County of Fairfax, Virginia. The City of Fairfax School Board consists of five (5) qualified voters of the City elected by popular vote at large. Although the School Board is legally separate, the City approves the School Board's budget and any debt issued. Further the City is enjoined in the School Service Agreement for tuition under the County contract. Separate financial statements are not issued on the School Board. The School Board is presented as a governmental fund-type and consists of a special revenue fund and a capital projects fund.

## CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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#### **B. Financial Reporting Entity (Continued)**

School Operating Fund - accounts for the general operations of the School division. Financing is provided by specific allocations from intergovernmental revenues, by appropriations from the primary government, and charges for services.

School Bond Renovation Fund - accounts for financial resources to be used for the acquisition or construction of major capital facilities of the School Board.

Industrial Development Authority and Economic Development Authority - These Authorities have responsibility for encouraging industrial and commercial development in the City and making recommendations to City Council. Each of these Authorities has a board consisting of seven directors appointed by City Council. Although the Authorities are legally separate, they are fiscally dependent on the City of Fairfax and the City acts as fiscal agent for them paying all personnel and administrative expenses associated with the Authorities. Separate financial statements are not issued on the Authorities. The Authorities provide services entirely for the City as administrative entities of the City and, accordingly, are included within the City's financial statements as discretely presented component units. The Authorities do not provide benefits for other governments or others that are not part of the reporting entity. The Authorities are presented as governmental fund types and each consists of a special revenue fund.

Industrial Development Authority Fund - accounts for the general operations of the Authority. Financing is provided by rental income from property owned by the Industrial Development Authority.

Economic Development Authority Fund - accounts for the general operations of the Authority. Financing is provided through miscellaneous reimbursements.

Fairfax Volunteer Fire Department, Inc. - Fairfax Volunteer Fire Department, Inc. is organized as a volunteer firefighting organization and is designed as a Fire Company of the City. The Department Chief shall be the Department Head, appointed by the City Manager, after consultation with the Board of Directors of the Fairfax Volunteer Fire Department, Inc., and with concurrence of City Council. The Department Chief shall have responsibility and authority for all operations and administration of the Department. The City cannot impose its will on the Volunteer Fire Department or override or modify the decisions of the Board of Directors. The Volunteer Fire Department is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements.

#### **Other Related Organizations not Included in these Financial Statements:**

Historic Fairfax City, Inc. - Historic Fairfax, Inc. was incorporated in 1983 as a non-profit corporation for the purpose of promoting and preserving historic properties and increasing public awareness and appreciation of the history of the City of Fairfax and the Courthouse area. The Board consists of fourteen (14) members. Five (5) members are appointed by City Council. The Corporation is legally separate and the City cannot impose its will on the Corporation. The Corporation is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore it is not included in the City's financial statements.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**B. Financial Reporting Entity (Continued)**

**Other Related Organizations not Included in these Financial Statements**

Northern Virginia Regional Park Authority - The Northern Virginia Regional Park Authority was created under the authority of the *Code of Virginia*, Title 15.1, Chapter 27-Park Authorities Act, for the purpose of planning, acquiring, developing, constructing, operating, and maintaining a system of regional parks within the geographical limits of the political subdivisions composing the said Authority.

The bylaws were adopted on February 3, 1959, and amended on April 14, 1965. The Northern Virginia Regional Park Authority consists of twelve (12) members. Two (2) members are appointed by City Council. The Authority is legally separate and the City cannot impose its will on the Authority. The Authority is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements.

**C. Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, the governmental activities columns (a) are presented on a consolidated basis, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Proprietary fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings and other revenues not directly derived from the providing of services.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**C. Government-Wide and Fund Financial Statements (Continued)**

The City's internal activities include water and sewer billings. It is the City's policy not to eliminate water and sewer billing revenues in the government-wide statement of activities.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The City's fiduciary funds are presented in the fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the City in fiscal year 2009.

**1. Governmental Funds:**

Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Funds are:

- a. General Fund - The General Fund is the primary operating fund of the City and accounts for all revenues and expenditures applicable to the general operations of the City which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants. Many of the more important activities of the City, including operation of the City's general service departments, street and highway maintenance, public safety, parks, cemetery, library and recreation programs, are accounted for in this fund. The General Fund is considered a major fund for financial reporting purposes.



**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**C. Government-Wide and Fund Financial Statements (Continued)**

**1. Governmental Funds (Continued)**

**b. Capital Projects Funds:**

General Capital Projects Fund - The General Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets, with the exception of those that have been segregated into separate capital projects funds by management or are financed through proprietary funds.

Old Town Fairfax Fund - The Old Town Fairfax Fund is used to account for resources used in the development of Old Town Fairfax.

**c. The other governmental funds of the City are considered nonmajor and are as follows:**

Other Capital Projects Funds - The Other Capital Projects Funds are used to account for all resources used in the acquisition and construction of capital facilities and other capital assets that management has chosen to report separately from the general capital projects of the City. The nonmajor capital project funds consist of the 1994 Bond Fund, Commercial Transportation Tax Fund and Stormwater Fund.

**2. Proprietary Funds - account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.**

Enterprise Funds - Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. The following comprise the City's major enterprise funds:

Sewer Utility Fund - This fund is used to account for the operation and maintenance of the City's sanitary sewer system.

Water Utility Fund - This fund is used to account for the operation and maintenance of the City's water system.

## CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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#### C. Government-Wide and Fund Financial Statements (Continued)

##### 2. Proprietary Fund Types (Continued)

The other enterprise fund of the City is considered nonmajor and is as follows:

Transportation Fund - This fund is used to account for the operation and maintenance of the City's CUE Bus System. The transportation fund receives funding through State and Federal grants and General Fund transfers, in addition to charges for services.

##### 3. Fiduciary Funds:

Fiduciary Funds account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Private purpose trust funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation.

The following funds are included in this fund type:

City Supplemental Retirement Plan - This fund accounts for pension funds for the City's full time general employees.

City Firefighters, Policemen and Policewomen Retirement Plan - This fund accounts for pension funds for the City's full time public safety personnel.

#### D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide Statements of Net Assets and Statements of Activities, all proprietary funds, and private purpose trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the Statement of Net Assets or on the Statement of Fiduciary Net Assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The Statements of Net Assets, Statements of Activities, and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**D. Basis of Accounting (Continued)**

The fund financial statements of the General, and Capital Projects, (for the primary government and component units) are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term “available” is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

**E. Stewardship, Compliance, and Accountability**

**1. Budgeting Information**

The City Council’s fiscal control is exercised through two distinct processes: budgeting and appropriations. The City budget is developed for informative and fiscal planning purposes only and presents an itemized listing of contemplated expenditures and estimated revenues for the ensuing fiscal year. The City Council adopts an annual budget for the General Fund. Budgets for the Capital Projects Funds, Old Town Fairfax Fund, the 1994 Bond Fund, the Commercial Transportation Tax Fund and the Stormwater Fund are prepared annually as part of a five-year plan for capital improvements. Budgets for the enterprise funds serve as a spending guide for the City and do not constitute legally binding limitations.

When the budget becomes effective at the beginning of the fiscal year, the City Council must make appropriations before money may be expended for any budgeted program, project or operation. Appropriations are made on an annual basis with supplemental appropriations made as needed. Such appropriations may be greater than contemplated in the annual budget. All appropriations lapse at year-end.

The City’s appropriated budget is prepared by fund and department. Appropriations are legally controlled at the department level. The budget is administratively controlled at the department level. The City Manager may approve all transfers within the same department. All other transfers must be approved by City Council. A supplemental appropriation which exceeds one percent of the total expenditures shown in the currently adopted budget must be accomplished by publishing a notice of a public hearing in a newspaper having general circulation in the City seven days prior to the public hearing. The notice shall state the City’s intent to amend the amounts to be appropriated and include a brief synopsis of the proposed action. The City Council approved supplemental appropriations that increased the original budget by \$43,315,874 in the various Funds.

The budgets are prepared using the same accounting basis and practices as are used to account for and prepare the financial reports for the fund; thus, the budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

Encumbrance accounting, under which purchase orders and contracts are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year end are not included as expenditures but are reported as reservations of fund balances in all funds and are reappropriated in the following year.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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E. Stewardship, Compliance, and Accountability (Continued)

2. Excess of Expenditures over Appropriations

Expenditures exceeded appropriations for the year ended June 30, 2009 as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Motor pool	\$ 3,870	\$ 11,517	\$ (7,647)
Marketing	181,575	183,230	(1,655)
Jail and custody services	979,166	1,035,993	(56,827)
County agent	37,797	40,814	(3,017)
Regional agencies	157,684	159,577	(1,893)
Health service department	957,903	1,024,084	(66,181)
Recreation - historic resources	569,795	573,203	(3,408)

F. Deposits and Investments:

For purposes of reporting cash flows for proprietary-type funds, cash and cash equivalents include cash on hand, money market funds, certificates of deposit and investments with maturities of three months or less.

Cash of individual funds (other than the Industrial Development Authority, and the Economic Development Authority) is combined to form a pool of cash and investments. The pool consists primarily of certificates of deposit, repurchase agreements, government and corporate obligations, commercial paper, and a local government investment pool. The government and corporate securities are stated at fair value based on quoted market prices and the investment in the Local Government Investment Pool is reported at the pool's share price. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Interest earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on month-end balances.

Investments are stated at fair value.

## CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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#### G. Inventories and Prepaid Items

Inventory is stated at cost (first-in, first-out) which is not in excess of market value. It consists primarily of operating materials held for consumption and or supplies for repairs and maintenance.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### H. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$609,268 at June 30, 2009 and is comprised of the following:

General Fund-Property taxes	\$	419,698
Sewer Utility Fund		87,202
Water Utility Fund		102,368
Total	\$	<u>609,268</u>

Property Taxes-Property taxes are levied as of January 1 based on the assessed value of real and personal property as of that date. The City’s legal right to collect property taxes attaches each year when the rates are approved and the taxes are assessed. Real estate taxes are collectible twice a year, on June 5 and December 5. Personal property taxes are due on October 5. Amounts not collected within 45 days after year-end are reflected as deferred revenue.

	<u>Real Property</u>	<u>Personal Property</u>
Levy date	January 1	January 1
Due date and collection date	June 5 and December 5	October 5
Lien date for delinquent taxes	3 years from due date	Various

## CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### I. Capital Assets

The City capitalizes assets which have an initial cost of \$10,000 or more per unit (\$5,000 for assets purchased with Federal monies) and a useable life of two or more years. "Infrastructure" assets (roads, bridges, curbs, gutters, etc.) are capitalized when the initial cost exceeds \$50,000. Also, the City does not capitalize interest costs which are incurred during the construction period of general capital assets. Repairs and maintenance are charged to operations as they are incurred. Additions and betterments are capitalized. The cost of assets retired and accumulated depreciation for enterprise funds are removed from the accounts.

All capital assets are included in the financial statements at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair market values on the date donated.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-50 years
Infrastructure	12-75 years
Water and Sewer infrastructure	25-50 years
Machinery and equipment	5-25 years

Capital assets having historical significance and being maintained by the City are not expected to decrease in value and, therefore, are not being depreciated.

#### J. Investment in Fairfax County Sewage Treatment Plant

The investment in Fairfax County sewage treatment plant represents the City's unamortized costs in sewage plant capital assets. Investments made in 1977 and 1999 are being amortized over 32 and 25 years, respectively. The various investments and accumulated amortization are as follows:

<u>At June 30, 2009</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
1977 Investment	\$ 884,986	\$ 884,986	\$ -
1999 Investment	4,490,000	1,796,000	2,694,000
Total	<u>\$ 5,374,986</u>	<u>\$ 2,680,986</u>	<u>\$ 2,694,000</u>

#### K. Compensated Absences

City employees accumulate vacation leave hours for subsequent use up to the maximum of 300 hours per employee. Unused vacation in excess of 300 hours is credited toward sick leave. Sick leave does not vest with the employee and is not accrued; however, unused sick leave is credited toward years of service for retirement purposes.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**K. Compensated Absences (Continued)**

All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. For governmental fund types, the amount of accumulated unpaid vacation leave which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirement or resignation. For City proprietary funds the cost of vacation and sick leave is recorded as a liability when earned.

**L. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**M. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**N. Retirement Plan**

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service costs over a 30-year period. The City's policy is to fund pension cost as it accrues.

**O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt exclude unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

## CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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#### P. Component Unit-School Board Capital Asset and Debt Presentation

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement of its capital assets. That responsibility lies with the City who issues the debt on behalf of the School Board. However, the Code of Virginia requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset.

In the Statement of Net Assets, this scenario presents a dilemma for the City. Debt issued on behalf of the School Board is reported as a liability of the primary government, thereby reducing the net assets of the City. The corresponding capital assets are reported as assets of the Component Unit-School Board (title holder), thereby increasing its net assets.

The Virginia General Assembly amended the Code of Virginia to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt.

#### Q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 2—DEPOSITS AND INVESTMENTS:

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Deposits: All cash of the City of Fairfax is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

#### Investment Policy:

State statutes and the City's policy authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, certificates of deposit or savings accounts that are Virginia qualified depositories, mutual funds, the State non-arbitrage pool (SNAP), and the State Treasurer's Local Government Investment Pool (LGIP).

The City has investments with LGIP and SNAP.



## CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

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### NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

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#### Investment Policy: (Continued)

The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Sec. 2.2-4605 of the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at its regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share.

Investment in the Virginia State Non-Arbitrage Program is used to assist in avoiding arbitrage penalties enacted with the Tax Reform Act of 1986. Sections 2.2-4700 through 2.2-4705 of the Code of Virginia, the Government Non-Arbitrage Investment Act, authorizes the Virginia Treasury Board to provide assistance to the Commonwealth of Virginia, counties, cities, and towns in the Commonwealth, and to their agencies, institutions and authorities of any combination of the foregoing ("Virginia governments") in the management of and accounting for their bond funds, including, without limitation, bond proceeds, reserves, and sinking funds, and the investment thereof.

The policies and standards that regulate specific investments and the composition of the investment portfolio shall include, but not be limited to, the following:

- ☐ No investment shall be purchased if the yield is less than that of the most recently auctioned issue of the United States Treasury of a similar term.
- ☐ At no time shall more than 35% of the portfolio be invested in commercial paper.
- ☐ No more than 10% of the portfolio shall be invested in the commercial paper of a single entity.
- ☐ At no time shall the aggregate dollar amount of securities with maturity dates in excess of six months exceed 10% of the total budget of the City for the current fiscal year.
- ☐ The Treasurer shall avoid an excessive concentration in any type of investment and an excessive number of investment transactions with any financial institution or broker/dealer.
- ☐ The Treasurer shall use the average of the three-month Treasury bill auctions for a quarter as a benchmark for the return on the investment portfolio.

The Treasury may direct the State Non-Arbitrage Program to invest bond proceeds in securities with maturities greater than one year if it is determined that such bond proceeds will be redeemed more than one year in the future.

Further, investments of \$500,000 or more must be selected on a competitive basis. The Treasurer may purchase or sell investments at his discretion without competition provided that the securities involved meet all the criteria for allowed investments and do not exceed \$500,000. Consideration for the safety of capital shall be paramount over the probable income to be derived. There are also certain standards of "adequacy" and "appropriateness" set by the Treasurer, in addition to the credit worthiness of an institution that must be considered.

## CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

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### NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

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#### Credit Risk

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following; Moody’s Investors Service, Standard & Poor’s and Fitch Investor’s Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investor Service.

<u>Locality's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings AAAm</u>
Local Government Investment Pool	\$ 13,729,610
SNAP	10,891,970
U.S. Treasury Money Market Fund	7,619,207
Repurchase Agreements - Underlying: U.S. Agency Securities	<u>2,643,000</u>
Total	<u>\$ 34,883,787</u>

#### Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government’s investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2009 the portion of the City’s portfolio, excluding the LGIP and SNAP, U.S. Government money market mutual funds, that exceed 5% of the total portfolio are as follows:

U.S. Treasury Money Market Funds	22%
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CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

**NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)**

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

As a means of limiting exposure to fair value losses arising from rising interest rates, the City's policy limits the investment of operating funds to investments with a stated maturity of no more than two years from the date of purchase.

<b>Investment Maturities</b>		
<b>Investment Type</b>	<b>Fair Value</b>	<b>Less Than 1 Year</b>
Repurchase Agreements	\$ 2,643,000	\$ 2,643,000
U.S. Treasuries Money Market Funds	<u>7,619,207</u>	<u>7,619,207</u>
Total	<u>\$ 10,262,207</u>	<u>\$ 10,262,207</u>

Interest rate risk does not apply to the Local Government Investment Pool or the State Non-Arbitrage Pool.

**NOTE 3—RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE AMOUNTS:**

The City determines its allowances using historical collection data, specific account analysis and management's judgment. Receivables at June 30, 2009 for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

**Primary Government**

	<b>General Fund</b>	<b>General Capital Projects Fund</b>	<b>Old Town Fairfax Fund</b>	<b>Sewer Utility Fund</b>	<b>Water Utility Fund</b>	<b>Totals</b>
Property taxes	\$ 2,170,546	\$ -	\$ -	\$ -	\$ -	\$ 2,170,546
Trade and other accounts	<u>956,062</u>	<u>42,401</u>	<u>1,863</u>	<u>613,741</u>	<u>1,636,210</u>	<u>3,250,277</u>
Gross receivables	\$ 3,126,608	\$ 42,401	\$ 1,863	\$ 613,741	\$ 1,636,210	\$ 5,420,823
Less allowance for uncollectible accounts	<u>419,698</u>	<u>-</u>	<u>-</u>	<u>87,202</u>	<u>102,368</u>	<u>609,268</u>
Net receivables	<u>\$ 2,706,910</u>	<u>\$ 42,401</u>	<u>\$ 1,863</u>	<u>\$ 526,539</u>	<u>\$ 1,533,842</u>	<u>\$ 4,811,555</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

NOTE 3—RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE AMOUNTS: (CONTINUED)

*Primary Government (Continued)*

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the primary governmental funds were as follows:

	<u>Governmental Activities</u>		<u>Component Unit School Board</u>
	<u>Deferred</u>	<u>Unearned</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 1,244,314	\$ -	\$ -
Prepaid property taxes	226,153	226,153	-
Other	224,582	224,582	30,000
Total	<u>\$ 1,695,049</u>	<u>\$ 450,735</u>	<u>\$ 30,000</u>

Amounts due from other governments include the following:

	<u>General</u>	<u>General Capital Projects Fund</u>	<u>Transportation Fund</u>	<u>Component Unit School Board</u>	<u>Totals</u>
Commonwealth of Virginia:					
Local sales tax	\$ 1,709,100	\$ -	\$ -	\$ -	\$ 1,709,100
Communication sales tax	343,944	-	-	-	343,944
State sales tax	-	-	-	417,563	417,563
Miscellaneous	126,304	-	-	159,141	285,445
Federal government	249,075	1,513,113	-	-	1,762,188
County of Fairfax	66,864	-	-	1,558,814	1,625,678
George Mason University	-	361,614	191,228	-	552,842
Northern Virginia Transportation Commission	-	-	300,279	-	300,279
Cigarette Tax Board	61,530	-	-	-	61,530
District Court	66,712	-	-	-	66,712
Total	<u>\$ 2,623,529</u>	<u>\$ 1,874,727</u>	<u>\$ 491,507</u>	<u>\$ 2,135,518</u>	<u>\$ 7,125,281</u>

**CITY OF FAIRFAX, VIRGINIA**

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

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**NOTE 4—DUE TO/FROM PRIMARY GOVERNMENT BALANCES, ADVANCES AND TRANSFERS:**

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Interfund Fund/Component Unit receivables and payables related to working capital loans at June 30, 2009 are as follows:

<u>Component Unit / Fund</u>	<u>Due From Component Unit</u>	<u>Due to Primary Government</u>
Economic Development Authority	\$ -	\$ 265,000
School Board	-	2,097,648
General Fund	2,102,648	-
General Capital Projects	160,000	-
Other Governmental Funds	100,000	-
Total	<u>\$ 2,362,648</u>	<u>\$ 2,362,648</u>

The City has the following advances outstanding at June 30, 2009:

	<u>Advances Receivable From Component Unit</u>	<u>Advances Payable to Primary Government</u>
General Fund	\$ 53,000	\$ -
Industrial Development Authority	<u>-</u>	<u>53,000</u>
Total	<u>\$ 53,000</u>	<u>\$ 53,000</u>

**CITY OF FAIRFAX, VIRGINIA**

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

**NOTE 4—DUE TO/FROM PRIMARY GOVERNMENT BALANCES, ADVANCES AND TRANSFERS: (CONTINUED)**

A summary of interfund transfer activity is presented as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 50,773	\$ 4,327,956
Capital Projects Fund	1,968,335	-
Old Town Fund	613,106	70,773
Commercial Transportation Tax Fund	751,515	-
Sewer Utility Fund	-	2,500
Water Utility Fund	-	2,500
Transportation Fund	<u>1,020,000</u>	<u>-</u>
Totals	<u>\$ 4,403,729</u>	<u>\$ 4,403,729</u>

The transfer from the General Fund to the General Capital Projects Fund and Old Town Fairfax Fund are for the City's annual support of capital project expenditures.

The transfer from the Old Town Fairfax Fund to the General Fund is for payments related to financing.

The transfer from the General Fund to the Commercial Transportation Tax Fund is to transfer tax revenues.

The transfer from the General Fund to the Transportation Fund is for the City's annual support of the CUE Bus Transportation System.

The transfer from the Old Town Fairfax Fund to the General Capital Projects Fund is for capital projects expenditures.

**NOTE 5—INVENTORY:**

At June 30, 2009 the City has inventory recorded in the various funds as follows:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Component Unit Economic Development Authority</u>
Expendable supplies / materials	\$ 566,848	\$ 82,261	\$ -
Land and building inventory held for resale	<u>4,052,393</u>	<u>-</u>	<u>2,342,732</u>
Totals	<u>\$ 4,619,241</u>	<u>\$ 82,261</u>	<u>\$ 2,342,732</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

**NOTE 6—CAPITAL ASSETS:**

The following is a summary of capital asset activity for the year ended June 30, 2009:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 36,415,069	\$ -	\$ -	\$ 36,415,069
Construction in progress-jointly owned assets	88,165,613	-	88,165,613	-
Construction in progress	20,677,040	9,075,378	2,943,451	26,808,967
Total capital assets, not being depreciated	\$ 145,257,722	\$ 9,075,378	\$ 91,109,064	\$ 63,224,036
Capital assets being depreciated:				
Buildings	\$ 38,313,348	\$ 2,724,636	\$ -	\$ 41,037,984
Equipment	16,263,828	878,345	377,969	16,764,204
Jointly owned assets	13,135,000	88,165,613	3,017,840	98,282,773
Infrastructure	21,281,865	107,402	-	21,389,267
Total capital assets being depreciated	\$ 88,994,041	\$ 91,875,996	\$ 3,395,809	\$ 177,474,228
Less accumulated depreciation for:				
Buildings	\$ 6,323,031	\$ 801,057	\$ -	\$ 7,124,088
Equipment	8,824,765	1,308,130	153,628	9,979,267
Jointly owned assets	1,120,757	356,970	275,303	1,202,424
Infrastructure	14,438,484	591,138	-	15,029,622
Total accumulated depreciation	\$ 30,707,037	\$ 3,057,295	\$ 428,931	\$ 33,335,401
Total capital assets being depreciated, net	\$ 58,287,004	\$ 88,818,701	\$ 2,966,878	\$ 144,138,827
Governmental activities capital assets, net	\$ 203,544,726	\$ 97,894,079	\$ 94,075,942	\$ 207,362,863
<b>Business-type Activities:</b>				
<b>Sewer Utility Fund:</b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 17,583	\$ -	\$ -	\$ 17,583
Construction in Progress	948,222	-	948,222	-
Total capital assets, not being depreciated	\$ 965,805	\$ -	\$ 948,222	\$ 17,583
Capital assets being depreciated:				
Buildings and building improvements	\$ 296,026	\$ 968,544	\$ -	\$ 1,264,570
Equipment	868,620	80,735	-	949,355
Infrastructure	8,007,231	-	-	8,007,231
Total capital assets being depreciated, net	\$ 9,171,877	\$ 1,049,279	\$ -	\$ 10,221,156
Less accumulated depreciation for:				
Buildings and building improvements	\$ 46,454	\$ 5,921	\$ -	\$ 52,375
Equipment	588,708	46,399	-	635,107
Infrastructure	4,370,223	135,520	-	4,505,743
Total accumulated depreciation	\$ 5,005,385	\$ 187,840	\$ -	\$ 5,193,225
Total capital assets being depreciated, net	\$ 4,166,492	\$ 861,439	\$ -	\$ 5,027,931
Net capital assets	\$ 5,132,297	\$ 861,439	\$ 948,222	\$ 5,045,514

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<b>Water Utility Fund:</b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 645,615	\$ -	\$ -	\$ 645,615
Construction in Progress	894,228	1,113,963	1,275,490	732,701
Total capital assets not being depreciated	\$ 1,539,843	\$ 1,113,963	\$ 1,275,490	\$ 1,378,316
Capital assets being depreciated:				
Buildings and improvements	\$ 29,541,627	\$ -	\$ -	\$ 29,541,627
Equipment	2,207,716	30,854	56,933	2,181,637
Infrastructure	16,268,287	1,774,095	-	18,042,382
Total capital assets being depreciated	\$ 48,017,630	\$ 1,804,949	\$ 56,933	\$ 49,765,646
Less accumulated depreciation for:				
Buildings and improvements	\$ 19,287,700	\$ 591,338	\$ -	\$ 19,879,038
Equipment	1,439,760	193,749	47,294	1,586,215
Infrastructure	9,965,580	243,645	-	10,209,225
Total accumulated depreciation	\$ 30,693,040	\$ 1,028,732	\$ 47,294	\$ 31,674,478
Total capital assets being depreciated, net	\$ 17,324,590	\$ 776,217	\$ 9,639	\$ 18,091,168
Net capital assets	\$ 18,864,433	\$ 1,890,180	\$ 1,285,129	\$ 19,469,484
<b>Transportation Fund:</b>				
Capital assets being depreciated:				
Buildings and improvements	\$ 226,958	\$ -	\$ -	\$ 226,958
Equipment	3,633,056	-	-	3,633,056
Total capital assets being depreciated	\$ 3,860,014	\$ -	\$ -	\$ 3,860,014
Less accumulated depreciation for:				
Buildings and improvements	\$ 18,156	\$ 4,540	\$ -	\$ 22,696
Equipment	2,509,416	214,289	-	2,723,705
Total accumulated depreciation	\$ 2,527,572	\$ 218,829	\$ -	\$ 2,746,401
Total capital assets being depreciated, net	\$ 1,332,442	\$ (218,829)	\$ -	\$ 1,113,613
Net capital assets	\$ 1,332,442	\$ (218,829)	\$ -	\$ 1,113,613



CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
<b>Discretely Presented Component Unit-School Board:</b>				
Capital assets, not being depreciated:				
Land	\$ <u>1,381,115</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,381,115</u>
Total capital assets, not being depreciated	\$ <u>1,381,115</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,381,115</u>
Capital assets being depreciated:				
Buildings	\$ <u>22,419,708</u>	\$ <u>3,952,561</u>	\$ <u>8,369,929</u>	\$ <u>18,002,340</u>
Equipment	<u>956,808</u>	<u>597,727</u>	<u>12,000</u>	<u>1,542,535</u>
Total capital assets being depreciated	\$ <u>23,376,516</u>	\$ <u>4,550,288</u>	\$ <u>8,381,929</u>	\$ <u>19,544,875</u>
Less accumulated depreciation for:				
Buildings	\$ <u>11,362,324</u>	\$ <u>823,999</u>	\$ <u>5,227,068</u>	\$ <u>6,959,255</u>
Equipment	<u>389,522</u>	<u>77,961</u>	<u>9,100</u>	<u>458,383</u>
Total accumulated depreciation	\$ <u>11,751,846</u>	\$ <u>901,960</u>	\$ <u>5,236,168</u>	\$ <u>7,417,638</u>
Total capital assets being depreciated, net	\$ <u>11,624,670</u>	\$ <u>3,648,328</u>	\$ <u>3,145,761</u>	\$ <u>12,127,237</u>
School Board capital assets, net	\$ <u>13,005,785</u>	\$ <u>3,648,328</u>	\$ <u>3,145,761</u>	\$ <u>13,508,352</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

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**NOTE 6—CAPITAL ASSETS: (CONTINUED)**

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Depreciation expense was charged to functions / programs as follows:

Primary government:	
Governmental activities:	
General government	\$ 544,382
Public safety	735,411
Public works	1,239,846
Education	356,970
Parks, recreation and cultural	180,686
Total governmental activities	<u>\$ 3,057,295</u>
Business-type activities:	
Water utility	\$ 1,028,732
Sewer utility	187,840
Transportation	218,829
Total business-type activities	<u>\$ 1,435,401</u>
Component Unit-School Board:	<u>\$ 626,657</u>
Education	
(1) Depreciation expense	\$ 626,657
Accumulated depreciation on Joint tenancy transfer	<u>275,303</u>
Total increase in accumulated depreciation, page 59	<u>\$ 901,960</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

**NOTE 7—LONG-TERM OBLIGATIONS:**

Primary Government

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2009:

	<u>Amounts Payable at June 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2009</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Obligations:</b>					
General obligation bonds	\$ 114,767,655	\$ -	\$ 4,467,655	\$ 110,300,000	\$ 3,810,000
Lease revenue bonds	39,330,000	-	300,000	39,030,000	860,000
Notes payable	30,768,960	-	2,097,706	28,671,254	2,182,145
Capital leases	474,713	-	85,892	388,821	90,196
Compensated absences	2,126,606	284,506	292,275	2,118,837	366,816
Other post employment benefits	-	714,548	-	714,548	714,548
Premiums on bonds payable	2,777,521	-	147,732	2,629,789	147,732
Loss on refunding	(722,304)	72,230	-	(650,074)	(72,230)
Total	<u>\$ 189,523,151</u>	<u>\$ 1,071,284</u>	<u>\$ 7,391,260</u>	<u>\$ 183,203,175</u>	<u>\$ 8,099,207</u>
<b>Enterprise Funds:</b>					
<b>Sewer Utility Fund:</b>					
Note Payable	\$ 47,452	\$ -	\$ 47,452	\$ -	\$ -
Other post employment benefits	-	29,374	-	29,374	29,374
Compensated absences	56,372	20,191	9,620	66,943	-
Total	<u>\$ 103,824</u>	<u>\$ 49,565</u>	<u>\$ 57,072</u>	<u>\$ 96,317</u>	<u>\$ 29,374</u>
<b>Water Utility Fund:</b>					
General obligation water refunding bonds	\$ 195,885	\$ -	\$ 195,885	\$ -	\$ -
Lease revenue bonds	4,821,000	-	-	4,821,000	169,000
Other post employment benefits	-	68,569	-	68,569	68,569
Compensated absences	161,582	8,678	24,996	145,264	8,678
Total	<u>\$ 5,178,467</u>	<u>\$ 77,247</u>	<u>\$ 220,881</u>	<u>\$ 5,034,833</u>	<u>\$ 246,247</u>
<b>Transportation Fund:</b>					
Other post employment benefits	\$ -	\$ 48,929	\$ -	\$ 48,929	\$ 48,929
Compensated absences	137,770	49,447	52,686	134,531	41,021
Total	<u>\$ 137,770</u>	<u>\$ 98,376</u>	<u>\$ 52,686</u>	<u>\$ 183,460</u>	<u>\$ 89,950</u>
Total Enterprise Funds	<u>\$ 5,420,061</u>	<u>\$ 225,188</u>	<u>\$ 330,639</u>	<u>\$ 5,314,610</u>	<u>\$ 365,571</u>
<b>Discretely Presented Component Units:</b>					
<b>School Board:</b>					
Compensated absences	\$ 18,985	\$ 22,778	\$ 18,985	\$ 22,778	\$ -
<b>Economic Development Authority:</b>					
Notes Payable	\$ 2,392,305	\$ -	\$ -	\$ 2,392,305	\$ -

General Fund revenues are used to pay all long-term general obligation debt, capital leases and compensated absences. School Fund revenues and appropriations from the General Fund are used to pay its compensated absences. Thus, all of the long-term debt obligations are reported as liabilities of the primary government.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Governmental Obligations							
	General Obligation		Public Facility		Notes Payable		Capital Leases	
	Bonds		Lease Revenue Bonds					
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 3,810,000	\$ 4,968,887	\$ 860,000	\$ 1,807,918	\$ 2,182,145	\$ 1,290,072	\$ 90,196	\$ 18,144
2011	3,875,000	4,837,649	885,000	1,782,119	2,269,953	1,202,497	94,716	13,624
2012	3,950,000	4,700,012	915,000	1,754,462	2,361,641	1,111,509	99,462	8,878
2013	4,020,000	4,557,203	940,000	1,724,725	2,458,719	1,016,940	104,447	3,893
2014	4,130,000	4,381,678	975,000	1,694,175	6,747,932	774,683	-	-
2015	4,270,000	4,179,053	1,005,000	1,660,050	1,623,864	499,748	-	-
2016	4,400,000	3,982,433	1,040,000	1,624,875	750,400	450,294	-	-
2017	4,535,000	3,783,104	1,095,000	1,572,875	782,000	418,826	-	-
2018	4,690,000	3,568,232	1,150,000	1,518,125	814,800	386,036	-	-
2019	3,540,000	3,346,484	1,195,000	1,472,075	848,900	351,869	-	-
2020	3,705,000	3,181,617	1,240,000	1,424,325	884,500	316,271	-	-
2021	3,870,000	3,018,842	1,290,000	1,374,725	921,700	279,178	-	-
2022	4,040,000	2,846,276	1,355,000	1,310,225	960,200	240,526	-	-
2023	4,220,000	2,664,015	1,425,000	1,242,475	1,000,600	200,256	-	-
2024	2,905,000	2,507,825	1,495,000	1,171,225	1,042,400	158,294	-	-
2025	3,040,000	2,375,218	1,570,000	1,096,475	1,086,200	114,575	-	-
2026	3,180,000	2,236,444	1,635,000	1,029,750	1,131,700	69,020	-	-
2027	3,325,000	2,085,518	1,720,000	948,000	803,600	21,551	-	-
2028	3,490,000	1,925,588	1,805,000	862,000	-	-	-	-
2029	3,655,000	1,755,500	1,895,000	771,750	-	-	-	-
2030	3,835,000	1,577,363	1,990,000	677,000	-	-	-	-
2031	4,020,000	1,390,450	2,090,000	577,500	-	-	-	-
2032	4,215,000	1,201,994	2,195,000	473,000	-	-	-	-
2033	4,410,000	1,004,394	2,305,000	363,250	-	-	-	-
2034	4,615,000	797,650	2,420,000	248,000	-	-	-	-
2035	4,830,000	584,150	2,540,000	127,000	-	-	-	-
2036	5,050,000	360,700	-	-	-	-	-	-
2037	2,675,000	127,063	-	-	-	-	-	-
Total	\$ 110,300,000	\$ 73,945,342	\$ 39,030,000	\$ 30,308,099	\$ 28,671,254	\$ 8,902,145	\$ 388,821	\$ 44,539

## CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

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### NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

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#### Details of Long-Term Obligations: (Continued)

##### Primary Government: (Continued)

###### General Obligation Bonds:

\$20,000,000 public improvement bonds issued July 2002, due in annual maturities of \$740,000 to \$1,440,000 through July 2023, including interest at 3.0% to 5.0%	\$ 15,490,000
\$42,000,000 school bonds, issued December 31, 2004, due in annual maturities of \$725,000 to \$2,495,000 through January 2036, plus interest at 3.25% to 5.50%	39,750,000
\$11,975,000 school refunding bonds, issued March 17, 2005, due in annual maturities of \$30,000 to \$1,360,000 through April 2018, plus interest at 2.5% to 5.0%	11,780,000
\$44,800,000 school bonds issued November 2005, due in annual maturities of \$745,000 beginning January 15, 2008 to \$2,675,000 through January 15, 2037, plus interest at 4.68%	<u>43,280,000</u>
Total General Obligation Bonds	\$ <u>110,300,000</u>

###### Lease Revenue Note:

\$39,630,000 lease revenue note dated July 2005, due in annual maturities of \$300,000 beginning January 2008 to \$2,540,000 through January 2035, interest at 4.12%	\$ <u>39,030,000</u>
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###### Notes Payable:

\$2,167,325 Fairfax County note payable, due in annual maturities of \$116,733 through July 2014, plus interest at 2%	\$ 583,663
\$7,200,000 note payable, due in semi-annual maturities of \$296,069 to \$439,194 through July 2014, plus interest at 4.43%	4,340,275
\$1,150,000 note payable, due in semi-annual maturities of \$48,000 to \$68,000 through July 15, 2004, plus interest at 3.83%	677,000

# CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

## NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

### Details of Long-Term Obligations: (Continued)

#### Primary Government: (Continued)

##### Notes Payable:

\$10,000,000 financing lease agreement, Series 2006, due in semi-annual maturities at various amounts ranging from \$125,000 to \$368,200 on February 1 and August 1, through 2026, interest at 4.07%	\$ 9,339,300
\$6,050,000 note payable, due in semi-annual maturities principal and interest of \$404,700 through July 15, 2014, interest at 4.15%	3,943,889
\$5,800,000 financing lease agreement, Series 2007, due in semi-annual maturities at various amounts ranging from \$125,800 to \$368,200 on February 1 and August 1, through 2026, interest at 4.07%	5,597,200
\$4,189,927 financing lease agreement, Series 2007, due in full at maturity on July 15, 2013, interest payable semi-annually at 6.87%	<u>4,189,927</u>
Total Notes Payable	\$ <u>28,671,254</u>

##### Capital Lease:

The City entered into a lease obligation for financing the acquisition of a turf for a football field. The turf was acquired with lease financing in the amount of \$711,430 and a total cost of \$711,430. Annual requirements to amortize City long-term obligations are disclosed previously

\$711,430 capital lease, due in semi-annual maturities of \$54,170 through January 2013, including interest at 4.95%	\$ <u>388,821</u>
Total Capital Leases	\$ <u>388,821</u>
Compensated absences	\$ <u>2,118,837</u>
Other post employment benefits	\$ <u>714,548</u>
Premium on bonds payable	\$ <u>2,629,789</u>
Loss on refunding	\$ <u>(650,074)</u>
Total governmental funds	\$ <u>183,203,175</u>

**CITY OF FAIRFAX, VIRGINIA**

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

**NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)**

Annual requirements to amortize enterprise long-term obligations and related interest are as follows:

Year Ending June 30,	Water Utility Fund	
	Principal	Interest
2010	\$ 169,000	\$ 207,303
2011	177,000	200,036
2012	184,000	192,425
2013	192,000	184,513
2014	200,000	176,257
2015	209,000	167,657
2016	218,000	158,670
2017	227,000	149,296
2018	237,000	139,535
2019	247,000	129,344
2020	258,000	118,723
2021	269,000	107,629
2022	280,000	96,062
2023	292,000	84,022
2024	305,000	71,466
2025	318,000	58,351
2026	332,000	44,677
2027	346,000	30,401
2028	361,000	15,523
Total	\$ <u>4,821,000</u>	\$ <u>2,331,890</u>

Water Utility Fund:

Lease Revenue Bonds:

\$4,821,000 lease revenue bonds issued June 2008, due in annual maturities ranging from \$169,000 to \$361,000 through January 2028, plus interest at 4.30%

\$ 4,821,000

**Component Unit—Economic Development Authority**

Annual requirements to amortize long-term debt and related interest are as follows:

Year Ending June 30,		
	Principal	Interest
2010	\$ -	\$ 159,328
2011	<u>2,392,305</u>	<u>79,664</u>
Total	\$ <u>2,392,305</u>	\$ <u>238,992</u>

## CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

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### NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

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#### Component Unit—Economic Development Authority: (Continued)

##### Details of Long-Term Debt

\$392,305 note payable, due July 15, 2010 with semi-annual interest payments at 6.66%	\$ 392,305
\$2,000,000 note payable, due July 2010 with semi-annual interest payments at 4.35%	<u>2,000,000</u>
	<u>\$ 2,392,305</u>

### NOTE 8—DEFINED BENEFIT PENSION PLANS:

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The City's employees are covered under various plans as follows:

#### A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% percent of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/publications/2008AnnuRept.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

#### B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the City and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's and School's non-professional employee contribution rates for the fiscal year ended 2009 were 8.53% and 8.81% of annual covered payroll, respectively.



# CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

## NOTE 8—DEFINED BENEFIT PENSION PLANS: (CONTINUED)

### C. Annual Pension Cost

For fiscal year 2009, the City's annual pension cost of \$2,235,111 was equal to the City's required and actual contributions.

For fiscal year 2009, the City School Board's annual pension cost for the Board's non-professional employees was \$6,929 which was equal to the Board's required and actual contributions.

#### Three-year Trend information for the City and School Board:

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
City:			
June 30, 2009	\$ 2,235,111	100%	\$ -
June 30, 2008	2,677,753	100%	-
June 30, 2007	2,519,185	100%	-
School Board:			
June 30, 2009	\$ 6,929	100%	\$ -
June 30, 2008	7,910	100%	-
June 30, 2007	7,228	100%	-

(1) Employer portion only

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

### D. Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the City's plan was 82.19% funded. The actuarial accrued liability for benefits was \$99,005,213, and the actuarial value of assets was \$81,374,194, resulting in an unfunded actuarial accrued liability (UAAL) of \$17,631,019. The covered payroll (annual payroll of active employees covered by the plan) was \$25,784,857, and ratio of the UAAL to the covered payroll was 68.38%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**NOTE 8—DEFINED BENEFIT PENSION PLANS: (CONTINUED)**

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**E. Defined Pension Benefit Plan-Supplemental Retirement Plans**

Plan Description

The City's Supplemental Retirement Plans cover all full-time and permanent part-time employees of the City except police officers and firefighters who are covered under the plan for police and firefighters. Both plans are single-employer, defined benefit pension plans, authorized by the City Council, and administered by the City Retirement Committee composed of nine individuals appointed by the Mayor and Council.

Upon retirement, a participant in the two City plans would receive a monthly retirement allowance which is determined based on a certain percentage of the participant's average final compensation at the date of retirement and the number of years of the participant's credited service. In the event of death prior to retirement, the beneficiary receives the same monthly benefit that would have been payable to the participant, assuming the joint and 100% survivor option was elected.

Significant Accounting Policies

*Basis of accounting:* The City's Supplemental Retirement Plans' financial statements are prepared using the accrual basis of accounting.

*Reporting:* The plans are accounted for as a pension trust fund of the City. A separate actuarial report for each plan is generated by the Actuary each year.

*Investment valuation and income recognition:* Shares of registered investment companies (mutual funds), corporate bonds, and stocks are reported at fair value based on the quoted market price of the investment, which represents the net asset value of the shares held by the Plan.

*Payment of benefits:* Benefits are recorded when paid.

*Refunds:* In the event that a participant terminates employment with the City before reaching normal retirement age, other than by death or disability, and has less than five years of credited service, the participant's accumulated contributions including credited interest will be refunded. Participants with at least 5 years of credited service will be eligible for a deferred retirement benefit if accumulated contributions remain in deposit in the plan.

*Administrative costs:* Administrative costs are financed from investment earnings.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLANS: (CONTINUED)

E. Defined Pension Benefit Plan-Supplemental Retirement Plans (Continued)

Concentrations

At June 30, 2009, plan assets were comprised of stocks, corporate bonds, and mutual funds. The following table presents the fair value of the investments in this Plan. Single investments representing more than 5% of the Plan's net assets as of June 30, 2009 are separately identified.

Investments at Fair Value as Determined by Quoted Market Prices	
Mutual Funds:	
Foreign Fund Class II	\$ 9,958,252
Wellington	25,041,215
Strategic Opp Allocation - III	8,058,863
Mariner Select	10,685,365
Putnam	10,249,396
Other Investments Individually Less than 5% of Plan Assets	24,590,370
Total	<u>\$ 88,583,461</u>

Funding Policy

The contribution requirements of Plan members and the City are established and may be amended by City Council. The City's annual pension cost for the current year and related information for each Plan is as follows:

	City Supplemental Retirement Plan	City Firefighters, Policemen and Policewomen
Contribution rate: (2008)		
City	None	None
Plan members - hire pre - April 1, 1983 *	1.5%	5.5%
Plan members - hire post - March 31, 1983	3.0%	7%
* Until reaching 30 years of service, then no further contributions are required.		
Annual pension cost (2008) (1)	None	\$471,789
Contributions made (2008) (1)	None	\$471,789
Actuarial valuation date	June 30, 2008	June 30, 2008
Actuarial cost method	Entry age actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll	Level percent of payroll
Remaining amortization period	10 years, open	10 years, open
Asset valuation method	5 year smoothed market value	5 year smoothed market value
Actuarial assumptions:		
Investment rate of return **	7%	7%
Projected salary increases **	4.5% - 10%	4.4% - 9.9%
** Includes wage inflation of cost of living adjustments	4%	4%
	2.8% compound	2.8% compound
(1) Employer portion only		

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLANS: (CONTINUED)

E. Defined Pension Benefit Plan-Supplemental Retirement Plans (Continued)

Trend Information

	<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
City Supplemental Retirement Plan	2003	\$ -	100%	\$ -
	2004	-	100%	-
	2005	-	100%	-
	2006	-	100%	-
	2007	-	100%	-
	2008	-	100%	-
City Firefighters and Police Officers	2003	\$ -	100%	\$ -
	2004	-	100%	-
	2005	-	100%	-
	2006	-	100%	-
	2007	87,866	100%	-
	2008	471,789	100%	-

Six-year trend information is required.

Other Information

According to the last available actuary statement, the membership in the City Supplemental and Police and Firefighters Plan at June 30, 2009 is as follows:

	<u>City Supplemental Retirement Plan</u>	<u>City Firefighters, Policemen and Policewomen Plan</u>
Retirees and beneficiaries	\$ 139	\$ 81
Terminated vested members	28	4
Active members	290	135
Total	<u>\$ 457</u>	<u>\$ 220</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

NOTE 8—DEFINED BENEFIT PENSION PLANS: (CONTINUED)

E. Defined Pension Benefit Plan-Supplemental Retirement Plans (Continued)

The following is a summary of financial information for the City's local retirement plans:

	Pension Trust Funds		
	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 67	\$ 73	\$ 140
Mutual funds	33,384,595	36,530,088	69,914,683
Stocks	8,914,431	9,754,347	18,668,778
Accrued interest	8,526	9,330	17,856
	<u>\$ 42,307,619</u>	<u>\$ 46,293,838</u>	<u>\$ 88,601,457</u>
Total assets			
<b>Net Assets</b>			
Held in trust for pension benefits	<u>\$ 42,307,619</u>	<u>\$ 46,293,838</u>	<u>\$ 88,601,457</u>
<b>Additions</b>			
Plan members contributions	<u>\$ 693,895</u>	<u>\$ 751,719</u>	<u>\$ 1,445,614</u>
Investment income:			
Interest and dividends earned on investments	\$ 689,589	\$ 747,055	\$ 1,436,644
Net appreciation in fair value of investments	(9,724,599)	(10,962,753)	(20,687,352)
Total investment income	<u>\$ (9,035,010)</u>	<u>\$ (10,215,698)</u>	<u>\$ (19,250,708)</u>
Less: Investment expenses	265,084	287,175	552,259
Net investment income	<u>\$ (9,300,094)</u>	<u>\$ (10,502,873)</u>	<u>\$ (19,802,967)</u>
Total additions	<u>\$ (8,606,199)</u>	<u>\$ (9,751,154)</u>	<u>\$ (18,357,353)</u>
<b>Deductions</b>			
Retirement and disability benefits	\$ 2,220,627	\$ 2,405,679	\$ 4,626,306
Refunds to members	59,206	64,140	123,346
Total deductions	<u>\$ 2,279,833</u>	<u>\$ 2,469,819</u>	<u>\$ 4,749,652</u>
Change in net assets	<u>\$ (10,886,032)</u>	<u>\$ (12,220,973)</u>	<u>\$ (23,107,005)</u>
Net assets - beginning	53,193,651	58,514,811	111,708,462
Net assets - ending	<u>\$ 42,307,619</u>	<u>\$ 46,293,838</u>	<u>\$ 88,601,457</u>

## CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

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### NOTE 9—FAIRFAX COUNTY AGREEMENTS:

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The City and School Board are parties to certain contracts under which services are provided to its citizens of the City by Fairfax County (the “County”), an unrelated local governmental entity. The costs of these services are summarized below.

Description	
Joint court service	\$ 669,685
Jail and custody services	1,035,993
Fire communication charges	272,321
Health	1,024,084
Social services	630,148
Library services	908,145
Education	37,625,873
Refuse collection	480,759
County agent	40,814
Debt service judicial center	81,787
Sewage treatment	<u>2,030,555</u>
Total	\$ <u>44,800,164</u>

The City constructs and owns its school facilities. In accordance with the education contract, the County manages, maintains and provides instruction in these facilities to City residents for a fee. Under the contract the City reimburses the County for the portion of the County’s school expenditures related to City students.

The City’s first quarter tuition payment for the fiscal year ending June 30, 2010 will be decreased by \$1,558,814. This amount has been recorded as a receivable and represents the final adjustment to fiscal year 2009 tuition cost.

### NOTE 10—TRANSPORTATION CONTRACTS:

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The City provides bus transportation services to its citizens in two ways.

#### CUE Bus

CUE Bus is an intracity bus service operated in cooperation with George Mason University. Funding received from George Mason University was \$382,456 for the fiscal year ended 2009.

#### Washington Metropolitan Area Transit Authority

The City contracts on an annual basis for rail service from the Washington Metropolitan Area Transit Authority (“WMATA”). The City’s share of WMATA’s capital and operating for bus and rail service for the year ending June 30, 2009 was \$2,292,288. These amounts were paid from the City’s account at the Northern Virginia Transportation Commission (“NVTC”).

## CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

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### NOTE 10—TRANSPORTATION CONTRACTS: (CONTINUED)

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#### Northern Virginia Transportation Commission (“NVTC”)

NVTC receives funds designated for the City and it also disburses the designated funds for the City. As of June 30, 2009, the balance designated for the City is \$5,473,560. The NVTC received \$3,837,608 and disbursed \$3,368,411 on behalf of the City for the fiscal year ended June 30, 2009.

### NOTE 11—MAJOR CUSTOMER:

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The City of Fairfax has one major water customer and for the year ended June 30, 2009, water revenue from this customer was approximately \$1,641,580. Accounts receivable from this customer amounted to approximately \$104,205 at June 30, 2009.

### NOTE 12—SURETY BONDS:

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	<u>Coverage</u>
City Funds:	
VML Insurance Programs:	
Stephen L. Moloney, City Treasurer	\$ 250,000
City Council and all employees	250,000
City of Fairfax School Board	250,000
State Funds:	
Stephen L. Moloney, City Treasurer	500,000
William Page Johnson, II, Commissioner of Revenue	450,000
Commonwealth of Virginia Performance of Duty Bond Self Insurance Plan:	
All Employees of constitutional officers-blanket bond-each loss	250,000

\* The coverage with respect to the Treasurer of the City does not apply to pecuniary loss sustained by the City by reason or in consequence of the failure of the Treasurer to faithfully and fully discharge according to laws the duties pertaining to said position.

### NOTE 13—OTHER POST-EMPLOYMENT BENEFITS PROGRAM:

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#### City:

#### A. Plan Description:

In addition to the pension benefits described in Note 8, the City provides post-retirement health care insurance benefits for employees who are eligible for retirement benefits. General Government employees are eligible for normal retirement if they have attained the age of 60 with 5 years of service. Public Safety employees are eligible for normal retirement if they have attained the age of 50 with 5 years of service or have 20 years of service. General Government employees are eligible for early retirement if they have attained the age of 50 years with 5 years of service or have 25 years of service. Disabled individuals must have completed 5 years of service to be eligible to participate in the plan.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

NOTE 13—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

City: (continued)

**B. Funding Policy:**

The City establishes employer contribution rates for plan participants as part of the budgetary process each year. The City also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. For participating retirees which retired before July 1, 2004 the Retiree pays 100% of the monthly premium. For participating retirees which retired on or after July 1, 2004 the City pays a stipend ranging from \$50 to \$175 per month depending on years of service towards the monthly premium and the retiree contributes remaining funds towards the monthly premium. Retirees pay 100% of spousal premiums. Surviving spouses can stay in the plan, but must pay the entire premium.

**C. Annual OPEB Cost and Net OPEB Obligation:**

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 1,160,319
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	\$ 1,160,319
Contributions made	(298,899)
Increase in net OPEB obligation	\$ 861,420
Net OPEB obligation-beginning of year	-
Net OPEB obligation-end of year	\$ 861,420

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 1,160,319	26%	\$ 861,420



## CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

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### NOTE 13—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

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City: (continued)

#### C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

##### Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008 is as follows:

Actuarial accrued liability (AAL)	\$ 13,001,916
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	13,001,916
Funded ratio (actuarial value of plan assets / AAL)	-
Covered payroll (active plan members)	25,784,857
UAAL as a percentage of covered payroll	50.42%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

##### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

##### Cost Method

Normal cost the allocation of benefit values between service rendered before and after the valuation date was determined using an Individual Entry-Age Actuarial Cost Method having the following characteristics:

- (i.) The annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefits at the time of retirement;
- (ii.) Each annual normal cost is a constant percentage of the member's year by year projected covered pay.

## CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

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### NOTE 13—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)

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City: (continued)

#### C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

##### Interest Assumptions

In the June 30, 2008 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 4% after ten years. Both rates included a 4% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2008, was thirty years.

	<u>Unfunded</u>
Discount rate	4.00%
Payroll growth	4.00%

### NOTE 14—RISK MANAGEMENT:

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The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To reduce insurance costs and the need for self-insurance, the City has joined with other municipalities in the Commonwealth of Virginia in several public entity risk pools that operate as common risk management and insurance programs for member municipalities. The City is not self-insured.

The City has coverage with the VML Insurance Programs (Programs). Each Program member jointly and severally agrees to assume, pay and discharge any liability. The City pays VML the contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Program and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Program may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The City also contracts with private insurance carriers for accident insurance for all volunteer firefighters and holds a policy for any pollution associated with underground storage tanks. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

## CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements  
As of June 30, 2009 (Continued)

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### NOTE 15—COMMITMENT AND CONTINGENCIES:

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Federal programs in which the City and all discretely presented component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

### NOTE 16—LITIGATION:

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At June 30, 2009, there were no matters of litigation involving the City or which would materially affect the City's financial position should any court decisions on pending matters not be favorable to such entities.

### NOTE 17—CONSTRUCTION COMMITMENTS:

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At June 30, 2009 the City has several major projects under construction which are summarized below:

Project	Contract Amount	Expenditures		Contract Balance
		as of June 30, 2009		
Primary Government:				
Fairfax Circle Improvements	\$ 449,768	\$ 244,520	\$	205,248
George Mason Boulevard	2,356,686	2,228,719		127,967
Dry Duct	909,981	898,156		11,825
Community Center Design	578,840	413,370		165,470
Total	\$ 4,295,275	\$ 3,784,765	\$	510,510

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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## Schedules of Funding Progress

**A. Virginia Retirement System:**

Valuation Date		Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)		(2)	(3)	(4)	(5)	(6)	(7)
6/30/2008	\$	81,374,194	\$ 99,005,213	\$ 17,631,019	82.19%	\$ 25,784,857	68.38%
6/30/2007		72,746,232	89,012,831	16,266,599	81.73%	24,121,533	67.44%
6/30/2006		63,490,847	79,159,569	15,668,722	80.21%	22,140,436	70.77%

**B. City Supplemental Retirement Plan:**

6/30/2008	\$	55,730,000	\$ 46,440,000	\$ (9,290,000)	120.00%	\$ 16,750,000	-55.46%
6/30/2007		53,110,000	44,070,000	(9,040,000)	120.51%	15,970,000	-56.61%
6/30/2006		45,769,920	36,740,493	(9,029,427)	124.58%	14,964,917	-60.34%
6/30/2005		44,125,227	34,981,002	(9,144,225)	126.14%	14,486,960	-63.12%
6/30/2004		42,496,971	31,963,427	(10,533,544)	132.95%	13,768,171	-76.51%
6/30/2003		41,530,318	28,350,053	(13,180,265)	146.49%	12,474,909	-105.65%
6/30/2002		41,534,180	27,953,025	(13,581,155)	148.59%	11,460,306	-118.51%

**C. City Firefighters, Policemen and Policewomen Plan:**

6/30/2008	\$	61,170,000	\$ 56,590,000	\$ (4,580,000)	108.09%	\$ 10,570,000	-43.33%
6/30/2007		57,910,000	54,020,000	(3,890,000)	107.20%	9,660,000	-40.27%
6/30/2006		46,433,098	41,829,858	(4,603,240)	111.00%	9,147,911	-50.32%
6/30/2005		45,640,229	38,570,580	(7,069,649)	118.33%	8,096,909	-87.31%
6/30/2004		45,414,753	37,803,608	(7,611,145)	120.13%	7,672,854	-99.20%
6/30/2003		44,215,031	32,456,398	(11,758,633)	136.23%	7,208,329	-163.13%
6/30/2002		44,314,666	31,394,306	(12,920,360)	141.16%	6,592,390	-195.99%

Note: Starting with 6/30/07 the City Supplemental Retirement Plan and City Firefighters, Policemen and Policewomen Plan's actuarial valuation presented the Schedule of Funding Progress amounts in millions.

**D. Other Post-Employment Benefits**

6/30/2008	\$	-	\$ 13,001,916	13,001,916	0.00%	\$ 25,784,857	50.42%
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**OTHER SUPPLEMENTARY INFORMATION**

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## **Combining and Individual Fund Statements and Schedules**

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Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2009

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	<u>1994 Bond Fund</u>	<u>Stormwater Fund</u>	<u>Commercial Transportation Tax Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 175,544	\$ 475,420	\$ 751,515	\$ 1,402,479
Total assets	<u>\$ 175,544</u>	<u>\$ 475,420</u>	<u>\$ 751,515</u>	<u>\$ 1,402,479</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 4,210	\$ -	\$ 4,210
<b>Fund Balances</b>				
Fund balances:				
Reserved for encumbrances	\$ -	\$ 7,066	\$ -	\$ 7,066
Unreserved:				
Designated for capital projects	<u>175,544</u>	<u>464,144</u>	<u>751,515</u>	<u>1,391,203</u>
Total fund balances	<u>\$ 175,544</u>	<u>\$ 471,210</u>	<u>\$ 751,515</u>	<u>\$ 1,398,269</u>
Total liabilities and fund balances	<u>\$ 175,544</u>	<u>\$ 475,420</u>	<u>\$ 751,515</u>	<u>\$ 1,402,479</u>

Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Nonmajor Governmental Funds  
Fiscal Year Ended June 30, 2009

	<u>1994 Bond Fund</u>	<u>Stormwater Fund</u>	<u>Commercial Transportation Tax Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Expenditures</b>				
Current:				
Public works	\$ -	\$ 22,139	\$ -	\$ 22,139
Parks, recreation and cultural	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	\$ <u>-</u>	\$ <u>22,139</u>	\$ <u>-</u>	\$ <u>22,139</u>
Excess (deficiency) of revenue over expenditures	\$ <u>-</u>	\$ <u>(22,139)</u>	\$ <u>-</u>	\$ <u>(22,139)</u>
<b>Other financing sources (uses)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>751,515</u>	<u>751,515</u>
Net changes in fund balances	\$ -	\$ (22,139)	\$ 751,515	\$ 729,376
Fund balances, beginning	<u>175,544</u>	<u>493,349</u>	<u>-</u>	<u>668,893</u>
Fund balances, ending	\$ <u><u>175,544</u></u>	\$ <u><u>471,210</u></u>	\$ <u><u>751,515</u></u>	\$ <u><u>1,398,269</u></u>

Combining Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2009

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	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 67	\$ 73	\$ 140
Mutual funds	33,384,595	36,530,088	69,914,683
Stocks	8,914,431	9,754,347	18,668,778
Accrued interest	8,526	9,330	17,856
	<u>\$ 42,307,619</u>	<u>\$ 46,293,838</u>	<u>\$ 88,601,457</u>
Total assets			
<b>Net Assets</b>			
Held in trust for pension benefits	<u>\$ 42,307,619</u>	<u>\$ 46,293,838</u>	<u>\$ 88,601,457</u>

Combining Statement of Changes in Fiduciary Net Assets  
 Fiduciary Funds  
 Fiscal Year Ended June 30, 2009

	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
<b>Additions</b>			
Plan member and employer contributions	\$ 693,895	\$ 751,719	\$ 1,445,614
Investment income:			
Interest and dividends earned on investments	\$ 689,589	747,055	\$ 1,436,644
Net appreciation in fair value of investments	(9,724,599)	(10,962,753)	(20,687,352)
Total investment income	\$ (9,035,010)	\$ (10,215,698)	\$ (19,250,708)
Less: Investment expenses	265,084	287,175	552,259
Net investment income	\$ (9,300,094)	\$ (10,502,873)	\$ (19,802,967)
Total additions	\$ (8,606,199)	\$ (9,751,154)	\$ (18,357,353)
<b>Deductions</b>			
Retirement and disability benefits	\$ 2,220,627	\$ 2,405,679	\$ 4,626,306
Refunds to members	59,206	64,140	123,346
Total deductions	\$ 2,279,833	\$ 2,469,819	\$ 4,749,652
Change in net assets	\$ (10,886,032)	\$ (12,220,973)	\$ (23,107,005)
Net assets - beginning	53,193,651	58,514,811	111,708,462
Net assets - ending	\$ 42,307,619	\$ 46,293,838	\$ 88,601,457



Balance Sheet -  
Discretely Presented Component Unit - School Board  
At June 30, 2009

	School Operating Fund	School Bond Renovation Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 2,984,546	\$ 2,984,546
Due from other governmental units	<u>2,135,518</u>	<u>-</u>	<u>2,135,518</u>
Total assets	<u>\$ 2,135,518</u>	<u>\$ 2,984,546</u>	<u>\$ 5,120,064</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 7,870	\$ 13,885	\$ 21,755
Due to primary government	2,097,648	-	2,097,648
Deferred revenue	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Total liabilities	<u>\$ 2,135,518</u>	<u>\$ 13,885</u>	<u>\$ 2,149,403</u>
<b>FUND BALANCES</b>			
Reserved for:			
Capital projects	\$ -	\$ 20,300	\$ 20,300
Unreserved:			
Undesignated	<u>-</u>	<u>2,950,361</u>	<u>2,950,361</u>
Total fund balances	<u>\$ -</u>	<u>\$ 2,970,661</u>	<u>\$ 2,970,661</u>
Total liabilities and fund balances	<u>\$ 2,135,518</u>	<u>\$ 2,984,546</u>	<u>\$ 5,120,064</u>

Reconciliation of the Balance Sheet of the Governmental Funds  
to the Statement of Net Assets -  
Discretely Presented Component Unit - School Board  
Fiscal Year Ended June 30, 2009

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		<u>Governmental Funds</u>
Total fund balances - governmental funds	\$	2,970,661
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds:		
Capital assets:		
Land	\$	1,381,115
Buildings and improvements		18,002,340
Equipment		1,542,535
Less: accumulated depreciation		<u>(7,417,638)</u>
		13,508,352
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		
Compensated absences		<u>(22,778)</u>
Net assets of governmental activities	\$	<u><u>16,456,235</u></u>

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Discretely Presented Component Unit - School Board  
Year Ended June 30, 2009

	School Operating Fund	School Bond Renovation Fund	Total
Revenues:			
Revenue from use of money and property	\$ 1,480,065	\$ -	\$ 1,480,065
Charges for services	396,955	-	396,955
Miscellaneous	20,000	-	20,000
Intergovernmental:			
City contribution to School Board	29,560,855	-	29,560,855
Commonwealth	6,970,754	-	6,970,754
Total revenues	\$ 38,428,629	\$ -	\$ 38,428,629
Expenditures:			
Current:			
Education	\$ 38,428,629	\$ -	\$ 38,428,629
Capital projects	-	1,670,744	1,670,744
Contribution to the City	-	1,895,000	1,895,000
Total expenditures	\$ 38,428,629	\$ 3,565,744	\$ 41,994,373
Net changes in fund balances	\$ -	\$ (3,565,744)	\$ (3,565,744)
Fund balances at beginning of year	-	6,536,405	6,536,405
Fund balances at end of year	\$ -	\$ 2,970,661	\$ 2,970,661

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities -  
Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2009

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		<u>Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds	\$	(3,565,744)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded capital outlay in the current period.		
Capital outlay	\$ 1,532,448	
Book value of dispositions	(3,145,761)	
Depreciation expense	<u>(626,657)</u>	(2,239,970)
Transfer of joint tenancy assets from Primary Government to Component Unit School Board		2,742,537
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Change in accrued leave		<u>(3,793)</u>
Change in net assets of governmental activities	\$	<u><u>(3,066,970)</u></u>

Combining Statement of Net Assets -  
Discretely Presented Nonmajor Component Units  
At June 30, 2009

	Industrial Development Authority	Economic Development Authority	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 88,289	\$ 192,933	\$ 281,222
Prepaid items	53,000	-	53,000
Inventory - property held for resale	-	2,342,732	2,342,732
Total assets	<u>\$ 141,289</u>	<u>\$ 2,535,665</u>	<u>\$ 2,676,954</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accrued interest	\$ -	\$ 73,025	\$ 73,025
Advances payable to primary government	53,000	-	53,000
Due to primary government	-	265,000	265,000
Total current liabilities	\$ 53,000	\$ 338,025	\$ 391,025
Noncurrent Liabilities			
Noncurrent portion of long-term obligations	-	2,392,305	2,392,305
Total liabilities	<u>\$ 53,000</u>	<u>\$ 2,730,330</u>	<u>\$ 2,783,330</u>
<b>NET ASSETS</b>			
Unrestricted	<u>\$ 88,289</u>	<u>\$ (194,665)</u>	<u>\$ (106,376)</u>
Total net assets	<u>\$ 88,289</u>	<u>\$ (194,665)</u>	<u>\$ (106,376)</u>
Total liabilities and net assets	<u>\$ 141,289</u>	<u>\$ 2,535,665</u>	<u>\$ 2,676,954</u>

CITY OF FAIRFAX, VIRGINIA

Statement of Activities -  
Discretely Presented Nonmajor Component Units  
Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Nonmajor component units:				
Industrial Development Authority	\$ 783,726	\$ 819,095	\$ -	\$ -
Economic Development Authority	203,086	56,779	-	-
Total nonmajor component units	\$ 986,812	\$ 875,874	\$ -	\$ -

General revenues:

Unrestricted revenues from use of money and property

Miscellaneous

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

Exhibit 23

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Industrial Development Authority	Economic Development Authority	Total
\$ 35,369	\$ -	\$ 35,369
<u>-</u>	<u>(146,307)</u>	<u>(146,307)</u>
\$ 35,369	\$ (146,307)	\$ (110,938)
\$ 531	\$ 4,180	\$ 4,711
<u>-</u>	<u>27,000</u>	<u>27,000</u>
\$ 531	\$ 31,180	\$ 31,711
\$ 35,900	\$ (115,127)	\$ (79,227)
52,389	(79,538)	(27,149)
<u>\$ 88,289</u>	<u>\$ (194,665)</u>	<u>\$ (106,376)</u>

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets -  
Discretely Presented Nonmajor Component Units  
Fiscal Year Ended June 30, 2009

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	Industrial Development Authority	Economic Development Authority	Totals
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances - governmental funds	\$ 88,289	\$ (72,067)	\$ 16,222
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:			
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds:			
Inventory held for resale	-	2,342,732	2,342,732
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.			
	-	(73,025)	(73,025)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.			
Notes payable	<u>-</u>	<u>(2,392,305)</u>	<u>(2,392,305)</u>
Net assets of governmental activities	\$ <u>88,289</u>	\$ <u>(194,665)</u>	\$ <u>(106,376)</u>



Balance Sheet -  
Discretely Presented Nonmajor Component Units  
At June 30, 2009

	Industrial Development Authority	Economic Development Authority	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 88,289	\$ 192,933	\$ 281,222
Prepaid items	<u>53,000</u>	<u>-</u>	<u>53,000</u>
Total assets	<u>\$ 141,289</u>	<u>\$ 192,933</u>	<u>\$ 334,222</u>
<b>LIABILITIES</b>			
Advances payable to primary government	\$ 53,000	\$ -	\$ 53,000
Due to primary government	<u>-</u>	<u>265,000</u>	<u>265,000</u>
Total liabilities	<u>\$ 53,000</u>	<u>\$ 265,000</u>	<u>\$ 318,000</u>
<b>FUND BALANCES</b>			
Unreserved:			
Undesignated (deficit)	\$ <u>88,289</u>	\$ <u>(72,067)</u>	\$ <u>16,222</u>
Total fund balances	<u>\$ 88,289</u>	<u>\$ (72,067)</u>	<u>\$ 16,222</u>
Total liabilities and fund balances	<u>\$ 141,289</u>	<u>\$ 192,933</u>	<u>\$ 334,222</u>

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Discretely Presented Nonmajor Component Units  
Year Ended June 30, 2009

	Industrial Development Authority	Economic Development Authority	Totals
Revenues:			
Revenue from use of money and property	\$ 819,626	\$ 60,959	\$ 880,585
Miscellaneous	-	27,000	27,000
Total revenues	\$ 819,626	\$ 87,959	\$ 907,585
Expenditures:			
Current:			
Planning and community development	\$ 783,726	\$ 43,758	\$ 827,484
Debt service:			
Interest and fiscal charges	-	159,328	159,328
Total expenditures	\$ 783,726	\$ 203,086	\$ 986,812
Net changes in fund balances	\$ 35,900	\$ (115,127)	\$ (79,227)
Fund balances at beginning of year	52,389	43,060	95,449
Fund balances at end of year	\$ 88,289	\$ (72,067)	\$ 16,222

**STATISTICAL SECTION**  
**TABLE OF CONTENTS**


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The statistical section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the City's overall financial health. This information has not been audited by the independent auditor.

<b>Contents</b>	<b>Table Number</b>
<b>Financial Trends</b>	
These tables contain trend information to help the reader understand how the City's financial performance and well being have changed over time.	1 to 5
<b>Revenue Capacity</b>	
These tables contain information to help the reader assess the City's most significant local revenue sources, the property tax, as well as other revenue sources.	6 to 10
<b>Debt Capacity</b>	
These tables present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	11 to 13
<b>Demographic and Economic Information</b>	
These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	14
<b>Operating Information</b>	
These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	15 to 18

**Sources:**

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year. The City implemented GASB 34 in fiscal year 2003; tables presenting government-wide information include information beginning in that year.

**CITY OF FAIRFAX, VIRGINIA**

**STATISTICAL SECTION**

**COMMENTS RELATIVE TO STATISTICAL SECTION**

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The following statistical table recommended by the National Council on Governmental Accounting is not included for the reason stated below:

The City of Fairfax, Virginia has no overlapping debt with any other government within its boundaries. Cities in the Commonwealth of Virginia are not part of the surrounding counties, and cities have no political subdivisions.

Net Assets By Component  
Last Seven Fiscal Years (1)  
(accrual basis of accounting)  
(Unaudited)

	Fiscal Year June 30,						
	2003	2004	2005	2006	2007	2008	2009
Governmental activities:							
Invested in capital assets, net of related debt	\$ 22,031,344	\$ 24,783,163	\$ 46,953,895	\$ (11,812,521)	\$ (48,500,591)	\$ 38,986,748	\$ 34,396,876
Restricted	7,072	49,245	43,764	-	-	-	-
Unrestricted	14,804,578	15,626,504	(40,550,651)	(16,939,669)	(1,066,325)	12,750,610	23,158,474
<b>Total governmental activities net assets</b>	<b>\$ 36,842,994</b>	<b>\$ 40,458,912</b>	<b>\$ 6,447,008</b>	<b>\$ (28,752,190)</b>	<b>\$ (49,566,916)</b>	<b>\$ 51,737,358</b>	<b>\$ 57,555,350</b>
Business-type activities:							
Invested in capital assets, net of related debt	\$ 20,597,502	\$ 23,348,054	\$ 25,198,355	\$ 25,002,792	\$ 24,895,262	\$ 20,264,835	\$ 24,450,435
Unrestricted	12,522,432	11,124,005	8,002,028	5,850,290	5,369,440	7,224,926	2,854,098
<b>Total business-type activities net assets</b>	<b>\$ 33,119,934</b>	<b>\$ 34,472,059</b>	<b>\$ 33,200,383</b>	<b>\$ 30,853,082</b>	<b>\$ 30,264,702</b>	<b>\$ 27,489,761</b>	<b>\$ 27,304,533</b>
Primary government:							
Invested in capital assets, net of related debt	\$ 42,628,846	\$ 48,131,217	\$ 72,152,250	\$ 13,190,271	\$ (23,605,329)	\$ 59,251,583	\$ 58,847,311
Restricted	7,072	49,245	43,764	-	-	-	-
Unrestricted (deficit)	27,327,010	26,750,509	(32,548,623)	(11,089,379)	4,303,115	19,975,536	26,012,572
<b>Total primary government net assets</b>	<b>\$ 69,962,928</b>	<b>\$ 74,930,971</b>	<b>\$ 39,647,391</b>	<b>\$ 2,100,892</b>	<b>\$ (19,302,214)</b>	<b>\$ 79,227,119</b>	<b>\$ 84,859,883</b>
Component units: (2)							
Component unit - school board:							
Invested in capital assets, net of related debt	\$ 30,807,245	\$ 31,615,523	\$ 35,369,476	\$ 66,251,923	\$ 103,979,947	\$ 13,005,785	\$ 13,508,352
Unrestricted	912,881	1,358,664	38,556,759	50,485,036	19,401,869	6,517,420	2,947,883
<b>Total component unit - school board net assets</b>	<b>\$ 31,720,126</b>	<b>\$ 32,974,187</b>	<b>\$ 73,926,235</b>	<b>\$ 116,736,959</b>	<b>\$ 123,381,816</b>	<b>\$ 19,523,205</b>	<b>\$ 16,456,235</b>
Component unit - all others aggregate							
Invested in capital assets, net of related debt	\$ 2,303,650	\$ 2,280,550	\$ 1,258,300	\$ -	\$ -	\$ -	\$ -
Restricted	433,606	306,522	299,529	307,920	273,943	-	-
Unrestricted (deficit)	420,085	410,990	437,389	456,061	466,884	(27,149)	(106,376)
<b>Total component unit - all others aggregate net assets</b>	<b>\$ 3,157,341</b>	<b>\$ 2,998,062</b>	<b>\$ 1,995,218</b>	<b>\$ 763,981</b>	<b>\$ 740,827</b>	<b>\$ (27,149)</b>	<b>\$ (106,376)</b>
Component units:							
Invested in capital assets, net of related debt	\$ 33,110,895	\$ 33,896,073	\$ 36,627,776	\$ 66,251,923	\$ 103,979,947	\$ 13,005,785	\$ 13,508,352
Restricted	433,606	306,522	299,529	307,920	273,943	-	-
Unrestricted (deficit)	1,332,966	1,769,654	38,994,148	50,941,097	19,868,753	6,490,271	2,841,507
<b>Total component units net assets</b>	<b>\$ 34,877,467</b>	<b>\$ 35,972,249</b>	<b>\$ 75,921,453</b>	<b>\$ 117,500,940</b>	<b>\$ 124,122,643</b>	<b>\$ 19,496,056</b>	<b>\$ 16,349,859</b>
Total reporting entity:							
Invested in capital assets, net of related debt	\$ 56,239,741	\$ 63,827,290	\$ 49,605,026	\$ (23,202,806)	\$ (28,390,382)	\$ 72,257,368	\$ 72,355,663
Restricted	440,678	355,767	343,293	307,920	273,943	-	-
Unrestricted (deficit)	48,159,976	46,720,163	65,620,525	142,496,718	132,936,868	26,465,807	28,854,079
<b>Total reporting entity net assets</b>	<b>\$ 104,840,395</b>	<b>\$ 110,903,220</b>	<b>\$ 115,568,844</b>	<b>\$ 119,601,832</b>	<b>\$ 104,820,429</b>	<b>\$ 98,723,175</b>	<b>\$ 101,209,742</b>

## Notes:

- (1) This table reports financial information based on the accrual basis of accounting. The City implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.
- (2) Component Unit net assets are included in this table due to public schools and the others aggregated being significant portions of the City operations. In Virginia, the City issues debt to finance the construction of facilities for these component units because they do not have borrowing or taxing authority.

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Changes In Net Assets  
Last Seven Fiscal Years (1)  
(accrual basis of accounting)  
(Unaudited)

		Fiscal Year June 30,						
		2003	2004	2005	2006	2007	2008	2009
Expenses:								
Governmental activities:								
General government administration	\$	5,992,243	\$ 8,181,818	\$ 7,944,888	\$ 6,588,630	\$ 4,501,657	\$ 5,790,057	\$ 7,477,262
Judicial administration		1,026,564	1,020,073	1,105,303	1,098,304	1,588,440	1,672,007	1,739,567
Public safety		14,160,416	15,085,222	17,097,263	18,918,613	18,375,185	22,370,185	22,617,672
Public works		10,772,058	11,305,843	12,035,896	12,993,041	15,645,734	15,056,333	11,092,497
Health and social services		3,418,460	3,627,848	3,874,857	4,303,021	4,623,541	4,874,994	4,790,384
Parks, recreation and cultural		3,334,352	3,625,794	4,155,577	5,506,525	18,451,806	9,104,464	5,012,481
Planning and community development		1,610,783	1,602,478	1,564,705	1,928,300	8,433,836	3,435,986	3,557,291
Education		22,543,976	25,153,505	65,673,214	69,700,277	34,051,143	19,030,288	30,778,612
Interest		2,008,605	2,013,416	2,744,269	6,479,175	7,392,158	7,950,084	7,299,070
Total governmental activities expenses	\$	64,867,457	\$ 71,615,997	\$ 116,195,972	\$ 127,515,886	\$ 113,063,500	\$ 89,284,398	\$ 94,364,836
Business-type activities:								
Sewer	\$	3,479,636	\$ 3,544,868	\$ 3,647,372	\$ 3,766,595	\$ 3,967,948	\$ 3,876,585	\$ 3,960,547
Water		6,345,220	6,431,715	7,431,685	7,735,802	8,007,885	7,859,380	8,420,622
Transportation		2,453,768	3,139,468	2,947,051	2,981,937	3,085,684	3,137,971	3,048,667
Total business-type activities expenses	\$	12,278,624	\$ 13,116,051	\$ 14,026,108	\$ 14,484,334	\$ 15,061,517	\$ 14,873,936	\$ 15,429,836
Total primary government expenses	\$	77,146,081	\$ 84,732,048	\$ 130,222,080	\$ 142,000,220	\$ 128,125,017	\$ 104,158,334	\$ 109,794,672
Program revenue:								
Governmental activities:								
Charges for services:								
General government administration	\$	303,100	\$ 371,202	\$ 354,887	\$ 465,151	\$ 358,362	\$ 221,030	\$ 239,652
Judicial administration		544,835	969,096	922,229	978,733	848,240	771,992	768,841
Public safety		959,923	881,927	1,349,949	744,380	634,789	735,565	1,571,900
Public works		314,674	322,523	349,295	292,250	342,136	343,431	345,774
Parks, recreation and cultural		350,828	463,813	452,081	434,290	557,264	780,237	918,688
Planning and community development		133,482	129,040	144,488	184,211	242,676	261,461	284,462
Operating grants and contributions:								
General government administration		266,073	268,679	284,555	298,925	319,875	347,860	335,316
Public safety		769,842	819,684	1,359,793	1,679,357	1,201,134	1,312,710	1,361,192
Public works		1,745,860	1,932,737	1,792,120	1,889,760	1,962,308	2,026,573	2,092,878
Parks, recreation and cultural		-	36,415	5,000	-	-	5,000	5,000
Planning and community development		-	-	-	7,182	5,000	32,052	79,307
Capital grants and contributions:								
General government administration		114,904	58,979	107,398	-	-	-	-
Public safety		426,950	664,969	-	-	898	-	-
Public works		260,009	234,135	298,914	373,386	241,350	467,991	2,437,582
Parks, recreation and cultural		-	30,000	-	-	74,457	-	-
Total governmental activities program revenue	\$	6,190,480	\$ 7,183,199	\$ 7,420,709	\$ 7,347,625	\$ 6,788,489	\$ 7,305,902	\$ 10,440,592
Business-type activities:								
Charges for services:								
Sewer	\$	3,131,569	\$ 2,741,097	\$ 3,078,461	\$ 3,067,876	\$ 3,127,259	\$ 2,989,180	\$ 3,323,391
Water		6,753,714	6,596,970	6,540,968	6,408,222	7,744,604	7,468,413	8,893,201
Transportation		509,413	562,117	634,659	558,927	596,367	705,693	846,825
Operating grants and contributions:								
Sewer		-	7,346	-	-	-	-	-
Water		3,722	10,110	3,757	-	-	-	-
Transportation		-	-	-	1,245,472	1,206,004	1,094,448	1,103,651

Changes In Net Assets  
 Last Seven Fiscal Years (1)  
*(accrual basis of accounting)*  
 (Unaudited)

	Fiscal Year June 30,						
	2003	2004	2005	2006	2007	2008	2009
Program revenue: (Continued)							
Business-type activities: (Continued)							
Capital grants and contributions:							
Sewer	\$ 269,850	\$ 534,500	\$ -	\$ -	\$ -	\$ -	\$ -
Water	74,235	757,425	-	-	-	-	-
Transportation	2,652,989	1,610,481	1,109,375	53,172	-	-	-
<b>Total business-type activities program revenues</b>	<b>\$ 13,395,492</b>	<b>\$ 12,820,046</b>	<b>\$ 11,367,220</b>	<b>\$ 11,333,669</b>	<b>\$ 12,674,234</b>	<b>\$ 12,257,734</b>	<b>\$ 14,167,068</b>
<b>Total primary government program revenues</b>	<b>\$ 19,585,972</b>	<b>\$ 20,003,245</b>	<b>\$ 18,787,929</b>	<b>\$ 18,681,294</b>	<b>\$ 19,462,723</b>	<b>\$ 19,563,636</b>	<b>\$ 24,607,660</b>
Net (expense) revenue:							
Governmental activities	\$ (58,676,977)	\$ (64,432,798)	\$ (108,775,263)	\$ (120,168,261)	\$ (106,275,011)	\$ (81,978,496)	\$ (83,924,244)
Business-type activities	1,116,868	(296,005)	(2,658,888)	(3,150,665)	(2,387,283)	(2,616,202)	(1,262,768)
<b>Total primary government net expense</b>	<b>\$ (57,560,109)</b>	<b>\$ (64,728,803)</b>	<b>\$ (111,434,151)</b>	<b>\$ (123,318,926)</b>	<b>\$ (108,662,294)</b>	<b>\$ (84,594,698)</b>	<b>\$ (85,187,012)</b>
General revenues and other changes in net assets:							
Governmental activities:							
Taxes:							
General property	\$ 35,230,935	\$ 38,155,395	\$ 41,913,827	\$ 44,736,332	\$ 47,189,602	\$ 50,795,457	\$ 56,197,375
Local sales	9,875,008	10,608,683	11,604,756	13,721,180	13,587,593	13,433,256	8,831,495
Business license	7,660,442	7,664,177	8,370,119	8,444,976	8,662,866	8,599,019	8,375,552
Consumer utility	2,403,880	2,850,414	2,774,256	3,063,302	2,132,805	1,459,146	1,512,860
Meals	1,930,225	2,087,428	2,176,558	2,235,496	2,301,359	4,628,046	4,646,735
Other local taxes	2,925,083	3,793,123	4,278,371	4,601,572	4,521,076	6,203,308	5,713,597
Intergovernmental, other than grants	3,176,355	3,321,928	3,178,470	3,283,706	3,367,088	3,307,841	3,288,406
Use of money and property	1,001,487	880,309	1,493,699	5,106,837	5,246,271	2,595,320	946,400
Miscellaneous	268,957	230,315	260,376	475,662	220,325	298,029	1,244,816
Transfers	(1,007,107)	(1,543,056)	(1,287,073)	(700,000)	(1,768,700)	218,686	(1,015,000)
<b>Total governmental activities</b>	<b>\$ 63,465,265</b>	<b>\$ 68,048,716</b>	<b>\$ 74,763,359</b>	<b>\$ 84,969,063</b>	<b>\$ 85,460,285</b>	<b>\$ 91,538,108</b>	<b>\$ 89,742,236</b>
Business-type activities:							
Use of money and property	\$ 170,483	\$ 105,074	\$ 100,139	\$ 103,364	\$ 30,203	\$ 59,947	\$ 62,540
Transfers	1,007,107	1,543,056	1,287,073	700,000	1,768,700	(218,686)	1,015,000
<b>Total business-type activities</b>	<b>\$ 1,177,590</b>	<b>\$ 1,648,130</b>	<b>\$ 1,387,212</b>	<b>\$ 803,364</b>	<b>\$ 1,798,903</b>	<b>\$ (158,739)</b>	<b>\$ 1,077,540</b>
<b>Total primary government</b>	<b>\$ 64,642,855</b>	<b>\$ 69,696,846</b>	<b>\$ 76,150,571</b>	<b>\$ 85,772,427</b>	<b>\$ 87,259,188</b>	<b>\$ 91,379,369</b>	<b>\$ 90,819,776</b>
Changes in net assets:							
Governmental activities	\$ 4,788,288	\$ 3,615,918	\$ (34,011,904)	\$ (35,199,198)	\$ (20,814,726)	\$ 9,559,612	\$ 5,817,992
Business-type activities	2,294,458	1,352,125	(1,271,676)	(2,347,301)	(588,380)	(2,774,941)	(185,228)
<b>Total primary government</b>	<b>\$ 7,082,746</b>	<b>\$ 4,968,043</b>	<b>\$ (35,283,580)</b>	<b>\$ (37,546,499)</b>	<b>\$ (21,403,106)</b>	<b>\$ 6,784,671</b>	<b>\$ 5,632,764</b>
Component units: (3)							
Component unit - school board:							
Expenses:							
Instruction	\$ 28,517,588	\$ 29,626,772	\$ 32,482,318	\$ 34,905,380	\$ 36,420,856	\$ 39,724,887	\$ 39,197,375
<b>Total expenses</b>	<b>\$ 28,517,588</b>	<b>\$ 29,626,772</b>	<b>\$ 32,482,318</b>	<b>\$ 34,905,380</b>	<b>\$ 36,420,856</b>	<b>\$ 39,724,887</b>	<b>\$ 39,197,375</b>
Program revenues:							
Charges for services	\$ 255,000	\$ 289,914	\$ 313,991	\$ 338,006	\$ 354,796	\$ 377,503	\$ 396,955
Operating grants and contributions	4,637,081	4,916,007	5,683,282	5,911,101	6,870,293	7,023,599	6,970,754
<b>Total program revenues</b>	<b>\$ 4,892,081</b>	<b>\$ 5,205,921</b>	<b>\$ 5,997,273</b>	<b>\$ 6,249,107</b>	<b>\$ 7,225,089</b>	<b>\$ 7,401,102</b>	<b>\$ 7,367,709</b>
<b>Net expense</b>	<b>\$ (23,625,507)</b>	<b>\$ (24,420,851)</b>	<b>\$ (26,485,045)</b>	<b>\$ (28,656,273)</b>	<b>\$ (29,195,767)</b>	<b>\$ (32,323,785)</b>	<b>\$ (31,829,666)</b>



Changes In Net Assets  
Last Seven Fiscal Years (1)  
(accrual basis of accounting)  
(Unaudited)

	Fiscal Year June 30,						
	2003	2004	2005	2006	2007	2008	2009
General revenues and other changes in net assets:							
Component Unit-School Board:							
Grants and contributions not restricted to specific programs	\$ 22,543,976	\$ 25,153,505	\$ 65,673,214	\$ 69,697,297	\$ 34,051,143	\$ 18,632,758	\$ 30,408,392
Use of money and property	506,197	521,407	1,763,879	1,749,700	1,769,481	1,557,078	1,480,065
Gain/(loss) on disposal of capital assets	-	-	-	-	-	-	(3,145,761)
Miscellaneous	-	-	-	20,000	20,000	20,000	20,000
<b>Total general revenues and other changes in net assets</b>	<b>\$ 23,050,173</b>	<b>\$ 25,674,912</b>	<b>\$ 67,437,093</b>	<b>\$ 71,466,997</b>	<b>\$ 35,840,624</b>	<b>\$ 20,209,836</b>	<b>\$ 28,762,696</b>
<b>Total component unit - school board change in net assets</b>	<b>\$ (575,334)</b>	<b>\$ 1,254,061</b>	<b>\$ 40,952,048</b>	<b>\$ 42,810,724</b>	<b>\$ 6,644,857</b>	<b>\$ (12,113,949)</b>	<b>\$ (3,066,970)</b>
Component unit - all others aggregate							
Expenses:							
Renaissance Housing Corporation	\$ 230,116	\$ 340,929	\$ 189,556	\$ 97,041	\$ 194,873	\$ -	\$ -
Industrial Development Authority	521,355	622,649	1,530,901	2,166,704	781,294	784,763	783,726
Economic Development Authority	27,831	29,122	331,777	264,379	136,953	182,692	203,086
<b>Total expenses</b>	<b>\$ 779,302</b>	<b>\$ 992,700</b>	<b>\$ 2,052,234</b>	<b>\$ 2,528,124</b>	<b>\$ 1,113,120</b>	<b>\$ 967,455</b>	<b>\$ 986,812</b>
General revenues and other changes in net assets:							
Grants and contributions not restricted to specific programs	\$ 300,000	\$ 200,000	\$ 242,133	\$ -	\$ -	\$ -	\$ -
Use of money and property	510,767	608,216	801,051	21,878	37,506	10,418	4,711
Miscellaneous	2,325	25,205	6,206	150,000	200,000	40,000	27,000
Charges for services	-	-	-	1,092,573	852,460	865,148	875,874
<b>Total general revenues and other changes in net assets</b>	<b>\$ 813,092</b>	<b>\$ 833,421</b>	<b>\$ 1,049,390</b>	<b>\$ 1,264,451</b>	<b>\$ 1,089,966</b>	<b>\$ 915,566</b>	<b>\$ 907,585</b>
<b>Total component unit - all others aggregate change in net assets</b>	<b>\$ 33,790</b>	<b>\$ (159,279)</b>	<b>\$ (1,002,844)</b>	<b>\$ (1,263,673)</b>	<b>\$ (23,154)</b>	<b>\$ (51,889)</b>	<b>\$ (79,227)</b>
<b>Total component units change in net assets</b>	<b>\$ (541,544)</b>	<b>\$ 1,094,782</b>	<b>\$ 39,949,204</b>	<b>\$ 41,547,051</b>	<b>\$ 6,621,703</b>	<b>\$ (12,165,838)</b>	<b>\$ (3,146,197)</b>
<b>Total reporting entity change in net assets</b>	<b>\$ 6,541,202</b>	<b>\$ 6,062,825</b>	<b>\$ 4,665,624</b>	<b>\$ 4,000,552</b>	<b>\$ (14,781,403)</b>	<b>\$ (5,381,167)</b>	<b>\$ 2,486,567</b>

**Notes:**

- (1) This table reports financial information based on the accrual basis of accounting. The City implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.
- (2) Net (expense) revenue is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in a parentheses are net expenses indicating that expenses were greater than program revenues and, therefore, general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses.
- (3) Component units were included in this table due to their significance to the City.

Program Revenues by Function/Program  
 Last Seven Fiscal Years (1)  
*(accrual basis of accounting)*  
 (Unaudited)

Function / Program	Fiscal Year June 30,						
	2003	2004	2005	2006	2007	2008	2009
<b>Primary government:</b>							
Governmental activities:							
General government administration	\$ 684,077	\$ 698,860	\$ 746,840	\$ 764,076	\$ 678,237	\$ 568,890	\$ 574,968
Judicial administration	544,835	969,096	922,229	978,733	848,240	771,992	768,841
Public safety	2,156,715	2,366,580	2,709,742	2,423,737	1,836,821	2,048,275	2,933,092
Public works	2,320,543	2,489,395	2,440,329	2,555,396	2,545,794	2,837,995	4,876,234
Parks, recreation and cultural	350,828	530,228	457,081	434,290	631,721	785,237	923,688
Planning and community development	133,482	129,040	144,488	191,393	247,676	293,513	363,769
<b>Total governmental activities</b>	<u>\$ 6,190,480</u>	<u>\$ 7,183,199</u>	<u>\$ 7,420,709</u>	<u>\$ 7,347,625</u>	<u>\$ 6,788,489</u>	<u>\$ 7,305,902</u>	<u>\$ 10,440,592</u>
Business-type activities:							
Sewer	\$ 3,401,419	\$ 3,282,943	\$ 3,078,461	\$ 3,067,876	\$ 3,127,259	\$ 2,989,180	\$ 3,323,391
Water	6,831,671	7,364,505	6,544,725	6,408,222	7,744,604	7,468,413	8,893,201
Transportation	3,162,402	2,172,598	1,744,034	1,857,571	1,802,371	1,800,141	1,950,476
<b>Total business-type activities</b>	<u>\$ 13,395,492</u>	<u>\$ 12,820,046</u>	<u>\$ 11,367,220</u>	<u>\$ 11,333,669</u>	<u>\$ 12,674,234</u>	<u>\$ 12,257,734</u>	<u>\$ 14,167,068</u>
<b>Total government</b>	<u>\$ 19,585,972</u>	<u>\$ 20,003,245</u>	<u>\$ 18,787,929</u>	<u>\$ 18,681,294</u>	<u>\$ 19,462,723</u>	<u>\$ 19,563,636</u>	<u>\$ 24,607,660</u>
<b>Component units:</b>							
Component unit - school board:							
Instruction	<u>\$ 4,892,081</u>	<u>\$ 5,205,921</u>	<u>\$ 5,997,273</u>	<u>\$ 6,249,107</u>	<u>\$ 7,225,089</u>	<u>\$ 7,401,102</u>	<u>\$ 7,367,709</u>
Component unit - all others aggregate							
Renaissance Housing Corporation	\$ 316,028	\$ 207,355	\$ 211,232	\$ 168,922	\$ 174,325	\$ -	\$ -
Industrial Development Authority	496,666	599,822	626,457	937,870	808,699	815,602	819,095
Economic Development Authority	398	26,244	211,701	3,266,871	106,943	49,546	56,779
<b>Total non major component unit</b>	<u>813,092</u>	<u>833,421</u>	<u>1,049,390</u>	<u>4,373,663</u>	<u>1,089,967</u>	<u>865,148</u>	<u>875,874</u>
<b>Total reporting entity</b>	<u>\$ 25,291,145</u>	<u>\$ 26,042,587</u>	<u>\$ 25,834,592</u>	<u>\$ 29,304,064</u>	<u>\$ 27,777,779</u>	<u>\$ 27,829,886</u>	<u>\$ 32,851,243</u>

**Note:**

- (1) This table reports financial information based on the accrual basis of accounting. The City implemented GASB 34, the new reporting standard, in fiscal year 2003. Therefore, ten years of data is not available but will be accumulated over time.

Fund Balances, Governmental Funds  
 Last Ten Fiscal Years  
*(modified accrual basis of accounting)*  
 (Unaudited)

	Fiscal Year June 30,				
	2000	2001	2002	2003	2004
General Fund:					
Reserved	\$ 658,956	\$ 362,498	\$ 354,727	\$ 378,305	\$ 460,566
Unreserved	8,552,920	9,213,658	9,599,276	10,078,259	10,514,821
<b>Total General Fund</b>	<u>\$ 9,211,876</u>	<u>\$ 9,576,156</u>	<u>\$ 9,954,003</u>	<u>\$ 10,456,564</u>	<u>\$ 10,975,387</u>
All Other Governmental Funds:					
Reserved	\$ 4,781,015	\$ 2,174,779	\$ 2,953,741	\$ 2,219,532	\$ 2,239,943
Unreserved, reported in:					
Capital projects funds	7,225,976	4,235,462	2,633,662	23,616,201	23,840,377
<b>Total all other government funds</b>	<u>\$ 12,006,991</u>	<u>\$ 6,410,241</u>	<u>\$ 5,587,403</u>	<u>\$ 25,835,733</u>	<u>\$ 26,080,320</u>

	Fiscal Year June 30,				
	2005	2006	2007	2008	2009
General Fund:					
Reserved	\$ 576,450	\$ 1,102,170	\$ 694,142	\$ 811,052	\$ 1,278,465
Unreserved	11,957,796	13,176,313	14,612,947	16,312,240	14,420,568
<b>Total General Fund</b>	<u>\$ 12,534,246</u>	<u>\$ 14,278,483</u>	<u>\$ 15,307,089</u>	<u>\$ 17,123,292</u>	<u>\$ 15,699,033</u>
All Other Governmental Funds:					
Reserved	\$ 20,327,193	\$ 24,235,778	\$ 6,522,884	\$ 4,505,089	\$ 8,581,428
Unreserved, reported in:					
Capital projects funds	6,644,780	30,878,626	24,899,521	17,927,671	10,360,928
<b>Total all other government funds</b>	<u>\$ 26,971,973</u>	<u>\$ 55,114,404</u>	<u>\$ 31,422,405</u>	<u>\$ 22,432,760</u>	<u>\$ 18,942,356</u>

## CITY OF FAIRFAX, VIRGINIA

Changes In Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(Unaudited)

	2000	2001	2002
Revenues:			
General property taxes	\$ 27,723,493	\$ 29,392,916	\$ 31,948,617
Other local taxes	21,498,254	23,843,563	22,907,426
Permits, privilege fees and licenses	1,204,796	1,495,358	1,378,832
Fines and forfeitures	877,628	805,940	926,276
Use of money and property	1,834,435	1,535,151	1,051,373
Charges for services	712,516	589,501	680,238
Miscellaneous	174,412	862,642	228,029
Recovered costs	-	-	-
Intergovernmental	5,127,215	6,091,729	6,645,141
<b>Total revenues</b>	<b>\$ 59,152,749</b>	<b>\$ 64,616,800</b>	<b>\$ 65,765,932</b>
Expenditures:			
General government administration	\$ 4,823,794	\$ 5,569,248	\$ 5,839,159
Judicial administration	978,363	1,157,050	1,035,404
Public safety	11,890,471	13,228,238	13,469,879
Public works	6,675,839	7,294,061	7,355,888
Health and social services	2,703,854	2,953,221	3,309,906
Parks, recreation and cultural	2,468,166	2,852,101	2,859,765
Planning and community development	1,320,380	1,526,056	1,676,509
Education	21,380,906	22,232,181	23,544,386
Non-departmental	-	-	-
Capital outlay	16,520,438	3,344,760	4,953,988
Debt service:			
Principal	2,617,868	2,518,141	2,518,966
Interest and fiscal charges	1,669,390	1,541,998	1,426,935
<b>Total expenditures</b>	<b>\$ 73,049,469</b>	<b>\$ 64,217,055</b>	<b>\$ 67,990,785</b>
<b>Excess of revenues (under) expenditures</b>	<b>\$ (13,896,720)</b>	<b>\$ 399,745</b>	<b>\$ (2,224,853)</b>
Other financing sources (uses):			
Transfers in	\$ 3,414,391	\$ 5,156,765	\$ 3,883,298
Transfers out	(4,430,677)	(6,081,546)	(4,650,928)
Issuance of debt	45,780	78,773	-
Proceeds of refunding bonds	-	-	-
Payment to refunded bond escrow agent	-	-	-
Premium on issuance debt	-	-	-
<b>Total other financing sources (uses)</b>	<b>\$ (970,506)</b>	<b>\$ (846,008)</b>	<b>\$ (767,630)</b>
<b>Net changes in fund balance</b>	<b>\$ (14,867,226)</b>	<b>\$ (446,263)</b>	<b>\$ (2,992,483)</b>
Debt Service as a percentage of noncapital expenditures:			
<b>Primary government:</b>			
Total debt service	\$ 4,287,258	\$ 4,060,139	\$ 3,945,901
Total expenditures	\$ 73,049,469	\$ 64,217,055	\$ 67,990,785
Less: Capital outlay - primary government	1,406,350	988,831	1,240,197
<b>Noncapital expenditures</b>	<b>\$ 71,643,119</b>	<b>\$ 63,228,224</b>	<b>\$ 66,750,588</b>
<b>Debt service as a percentage of Noncapital expenditures</b>	<b>5.98%</b>	<b>6.42%</b>	<b>5.91%</b>
<b>Component units: (2)</b>			
Expenditures:			
School board	\$ 23,217,102	\$ 29,472,930	\$ 28,120,041
All others aggregate	432,748	267,325	358,422
Less: Capital outlay - school board	14,864,841	4,868,982	504,630
Less: Capital outlay - others aggregate	-	-	-
<b>Noncapital expenditures</b>	<b>\$ 8,785,009</b>	<b>\$ 24,871,273</b>	<b>\$ 27,973,833</b>
Total reporting entity:			
<b>Total noncapital expenditures (4)</b>	<b>\$ 59,047,222</b>	<b>\$ 65,527,316</b>	<b>\$ 70,820,035</b>
<b>Debt service as a percentage of Noncapital expenditures</b>	<b>5.98%</b>	<b>6.42%</b>	<b>5.91%</b>

## Notes:

(1) For the years 1997 through 2002, the amount used for capital outlay was obtained from the increase to the General Fixed Asset Account Group, which is no longer used under the new reporting model. For fiscal years 2003 through 2007, the amounts used for capital outlay were obtained from the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.

(2) In Virginia, the City issues debt to finance the construction of school facilities for the public schools because the public schools do not have borrowing or taxing authority. Therefore, the debt service payments related to school facilities are presented as debt service of that component unit. Debt service as a percentage of noncapital expenditures for the total reporting entity more appropriately reflects the unique Virginia school debt requirement.

Table 5

	2003	2004	2005	2006	2007	2008	2009
\$	35,055,871	\$ 38,325,686	\$ 41,962,115	\$ 44,808,950	\$ 47,059,528	\$ 50,687,883	\$ 55,639,263
	24,794,638	27,003,825	29,204,060	32,066,526	31,205,699	34,322,775	29,080,239
	1,268,887	1,280,551	1,472,063	1,509,454	1,397,467	1,206,160	1,228,451
	916,078	1,243,358	1,567,914	954,306	879,235	893,190	873,601
	1,001,487	880,309	1,493,699	5,106,837	5,246,271	2,595,320	946,400
	536,781	672,671	640,350	635,255	706,765	1,014,366	2,027,265
	268,957	310,315	260,376	331,140	220,325	298,029	1,244,816
	-	-	-	-	-	-	420,009
	6,645,089	7,228,547	6,918,852	8,197,105	8,024,260	8,487,759	10,552,826
\$	<u>70,487,788</u>	<u>76,945,262</u>	<u>83,519,429</u>	<u>93,609,573</u>	<u>94,739,550</u>	<u>99,505,482</u>	<u>102,012,870</u>
\$	5,586,736	\$ 5,782,988	\$ 6,994,940	\$ 6,824,416	\$ 8,089,989	\$ 7,369,660	\$ 6,954,234
	1,003,637	981,164	1,062,608	1,090,776	1,588,440	1,672,007	1,720,033
	14,351,969	15,142,630	16,956,386	19,586,179	21,185,213	22,375,860	21,745,756
	8,150,943	8,668,491	9,647,984	24,608,412	21,262,349	16,274,979	15,269,159
	3,418,164	3,627,545	3,873,923	4,302,640	4,612,319	4,874,283	4,746,065
	3,168,627	3,431,311	4,024,734	9,098,348	18,889,445	12,319,692	8,977,780
	1,610,564	1,595,332	1,581,489	9,992,176	8,376,952	3,452,197	3,505,001
	21,977,841	24,781,155	65,608,917	70,224,788	34,051,143	27,571,892	27,724,105
	-	2,167,325	-	-	-	-	-
	5,620,278	5,470,831	14,973,743	-	-	-	-
	2,377,815	3,045,450	4,366,347	4,192,126	5,123,537	6,515,101	6,951,253
	1,861,103	2,111,899	2,240,243	5,304,550	8,254,858	8,661,866	8,319,147
\$	<u>69,127,677</u>	<u>76,806,121</u>	<u>131,331,314</u>	<u>155,224,411</u>	<u>131,434,245</u>	<u>111,087,537</u>	<u>105,912,533</u>
\$	<u>1,360,111</u>	<u>139,141</u>	<u>(47,811,885)</u>	<u>(61,614,838)</u>	<u>(36,694,695)</u>	<u>(11,582,055)</u>	<u>(3,899,663)</u>
\$	25,511,695	\$ 5,430,017	\$ 7,519,836	\$ 9,692,142	\$ 14,139,244	\$ 2,554,297	\$ 3,383,729
	(26,518,802)	(6,973,073)	(8,806,909)	(10,392,142)	(15,907,944)	(2,335,611)	(4,398,729)
	20,000,000	5,417,325	63,036,430	90,480,000	15,800,000	4,189,927	-
	-	-	-	-	-	-	-
	-	(3,250,000)	(12,638,993)	-	-	-	-
	189,993	-	1,152,033	1,721,506	-	-	-
\$	<u>19,182,886</u>	<u>624,269</u>	<u>50,262,397</u>	<u>91,501,506</u>	<u>14,031,300</u>	<u>4,408,613</u>	<u>(1,015,000)</u>
\$	<u>20,542,997</u>	<u>763,410</u>	<u>2,450,512</u>	<u>29,886,668</u>	<u>(22,663,395)</u>	<u>(7,173,442)</u>	<u>(4,914,663)</u>
\$	<u>4,238,918</u>	<u>5,157,349</u>	<u>6,606,590</u>	<u>9,496,676</u>	<u>13,378,395</u>	<u>15,176,967</u>	<u>15,270,400</u>
\$	<u>69,127,677</u>	<u>76,806,121</u>	<u>131,331,314</u>	<u>155,224,411</u>	<u>131,434,245</u>	<u>111,087,537</u>	<u>105,912,533</u>
	3,798,161	3,772,576	13,159,210	26,577,656	14,778,965	18,442,278	9,842,310
\$	<u>65,329,516</u>	<u>73,033,545</u>	<u>118,172,104</u>	<u>128,646,755</u>	<u>116,655,280</u>	<u>92,645,259</u>	<u>96,070,223</u>
	6.49%	7.06%	5.59%	7.38%	11.47%	16.38%	15.90%
\$	27,665,696	\$ 30,062,202	\$ 36,167,553	\$ 33,500,788	\$ 34,917,722	\$ 51,631,725	\$ 41,994,373
	756,202	969,600	6,329,984	4,356,865	1,113,120	942,378	986,812
	777,054	1,918,229	4,844,913	32,489,768	38,796,585	300,793	1,532,448
	-	-	5,245,736	-	-	-	-
\$	<u>27,644,844</u>	<u>29,113,573</u>	<u>32,406,888</u>	<u>5,367,885</u>	<u>(2,765,743)</u>	<u>52,273,310</u>	<u>41,448,737</u>
\$	<u>70,696,519</u>	<u>77,165,963</u>	<u>84,727,942</u>	<u>134,014,640</u>	<u>113,889,537</u>	<u>144,918,569</u>	<u>137,518,960</u>
	6.49%	7.06%	5.59%	7.38%	11.47%	16.38%	15.90%

(3) Prior to implementation of GASB 34, the City's contribution to the public schools were reported as transfers out. Implementation of GASB 34 required that the contribution to component units be reported as expenditures. It also required all debt service paid on the outstanding debt to be paid by the primary government and not the public schools. For comparability, the fiscal years 1997 through 2002 have been restated on this table to reflect the transfers as expenditures and the debt service paid by the public schools as primary government debt service.

(4) For the reporting entity totals, the expenditures have been reduced by the amounts given to the public schools and the other component units so that the expenditures are not counted twice.

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Tax Revenues by Source, Governmental Funds  
 Last Ten Fiscal Years  
*(modified accrual basis of accounting)*  
 (Unaudited)

Fiscal Year June 30,	Property	Local Sales	Business License	Consumer Utility	Meals	Tobacco	Other	Totals
2000	\$ 27,723,493	\$ 8,866,976	\$ 5,925,615	\$ 2,354,433	\$ 1,614,337	\$ 667,910	\$ 2,068,983	\$ 49,221,747
2001	29,392,916	9,737,741	7,181,712	2,387,921	1,774,326	631,836	2,130,027	53,236,479
2002	31,948,617	8,889,946	6,958,287	2,511,708	1,839,986	604,316	2,103,183	54,856,043
2003	35,055,871	9,875,008	7,660,442	2,403,880	1,930,225	609,630	2,315,453	59,850,509
2004	38,325,686	10,608,683	7,664,177	2,850,414	2,087,428	963,680	2,829,443	65,329,511
2005	41,962,115	11,604,756	8,370,119	2,774,256	2,176,558	939,837	3,338,534	71,166,175
2006	44,808,950	13,721,180	8,444,976	3,063,302	2,235,496	897,579	3,703,993	76,875,476
2007	47,059,528	13,587,593	8,662,866	2,132,805	2,301,359	811,123	3,709,953	78,265,227
2008	50,687,883	13,433,256	8,599,019	1,459,146	4,628,046	778,192	5,425,116	85,010,658
2009	55,639,263	8,831,495	8,375,552	1,512,860	4,646,735	775,714	4,937,883	84,719,502
Change 2000-2009	100.69%	-0.40%	41.34%	-35.74%	187.84%	16.14%	138.66%	72.12%

Source:

Notes:

(1) During FY2007 - House Bill 568 replaced many of the state & local communications taxes and fees with a centrally administrated communications sales, use tax, and a landline E-911 fee.

This bill resulted in City Consumer Utility revenue dropping significantly from FY 2006 to FY 2007.

CITY OF FAIRFAX, VIRGINIA

Assessed and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year June 30,	Residential Property	Commercial Property	Public Service Corporation	Nontaxable	Total Assessed Value	Total Taxable Assessed Value
2000	\$ 1,240,448,323	\$ 909,087,531	\$ 84,634,178	\$ 161,987,600	\$ 2,396,157,632	\$ 2,234,170,032
2001	1,493,534,686	994,457,600	89,160,625	168,193,500	2,745,346,411	2,577,152,911
2002	1,756,005,200	1,103,310,900	87,593,266	199,921,900	3,146,831,266	2,946,909,366
2003	2,111,088,700	1,206,961,700 (6)	103,967,671	226,029,300	3,648,047,371	3,422,018,071
2004	2,439,123,400	1,314,291,800	98,693,202	251,341,800	4,103,450,202	3,852,108,402
2005	3,063,115,200	1,382,126,100	96,641,780	296,497,400	4,838,380,480	4,541,883,080
2006	3,817,504,900	1,626,385,700	90,098,852	333,581,700	5,867,571,152	5,533,989,452
2007	3,723,667,700	1,884,634,000	93,444,978	353,598,900	6,055,345,578	5,701,746,678
2008	3,475,794,600	2,161,997,400	87,580,035	372,660,900	6,098,032,935	5,725,372,035
2009	3,182,468,200	2,177,141,900	94,044,526	388,478,700	5,842,133,326	5,453,654,626

Source: Real Estate Assessor's Office

- Notes:
- 1) Real Estate assessments are done on a calendar year basis.
  - 2) Commercial property values include commercial, industrial & apartments
  - 3) "Nontaxable" is interpreted to mean tax exempt properties.
  - 4) Total Assessed Value category includes real estate, public service corporations and exempt properties.
  - 5) Total taxable assessed value includes real estate and public service corporation properties.
  - 6) The Public Service Corporation assessment listed for 2003 is the original assessment.  
This assessment was revised based on a law suit settlement.



Table 7

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Percent Growth	Total Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
6.2%	\$ 1.01	\$ 2,234,170,032	100%
15.4%	0.98	2,577,152,911	100%
14.3%	0.96	2,946,909,366	100%
16.1%	0.92	3,422,018,071	100%
12.6%	0.90	3,852,108,402	100%
17.9%	0.84	4,541,883,080	100%
21.8%	0.71	5,533,989,452	100%
3.0%	0.72	5,701,746,678	100%
0.4%	0.79	5,725,372,035	100%
-4.8%	0.88	5,453,654,626	100%

Direct and Overlapping Property Tax Rates  
 Last Ten Fiscal Years  
 (Unaudited)

<u>Fiscal Year June 30,</u>	<u>Real Estate</u>	<u>Personal Property</u>
2000	\$ 1.01	\$ 3.29
2001	0.98	3.29
2002	0.96	3.29
2003	0.92	3.29
2004	0.90	3.29
2005	0.87/0.81	3.29
2006	0.71	3.79
2007	0.72	4.13
2008	0.79	4.13
2009	0.88	4.13

Note:

- (1) The City of Fairfax has no overlapping tax rates (Cities in the Commonwealth of Virginia are not part of Counties, and Cities have no political subdivisions).

Principal Property Taxpayers  
Current Year and Nine Years Ago  
(Unaudited)

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage (%) of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage (%) of Total City Taxable Assessed Value
RKB & RPB Willowood LLC (I, II)	\$ 138,275,900	1	2.58	\$ -	-	-
Fair City HHH, LLC	84,270,000	2	1.57	44,013,000	1	2.05
Fairfax Square Ltd.	83,107,300	3	1.55	36,044,275	3	1.68
Army Navy Country Club	70,576,900	4	1.32	24,411,500	6	1.14
CH Realty III/Old Town	42,644,100	5	0.80	-	-	-
Saul Holdings, LP	36,283,800	6	0.68	-	-	-
Main Street Retail Partners LLC	33,870,700	7	0.63	-	-	-
USRP I, LLC	32,375,400	8	0.60	-	-	-
Gloria Haft	30,915,100	9	0.58	14,033,500	10	0.65
Norman Higginbotham, et al	27,997,400	10	0.52	18,073,700	8	0.84
John Swart, Jr. et al	-	-	-	25,571,600	5	1.19
Combined Properties Ltd.	-	-	-	19,051,700	7	0.89
The Equitable Variable Life Assurance Co. of the U.S.	-	-	-	-	-	-
Turner Development Corp.	-	-	-	28,434,500	4	1.32
William E. Schuiling	-	-	-	36,736,900	2	1.71
	-	-	-	16,763,000	9	0.78
<b>Total</b>	<b>\$ 580,316,600</b>		<b>10.83</b>	<b>\$ 263,133,675</b>		<b>12.25</b>

Source:  
Real Estate Assessments

Real Property Tax Levies And Collections  
 Last Ten Fiscal Years  
 (Unaudited)

Fiscal Year June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2000	\$ 21,344,377	\$ 21,030,627	98.53%	\$ 313,750	\$ 21,344,377	100.00%
2001	23,972,737	23,503,888	98.04%	468,848	23,972,736	100.00%
2002	27,095,632	26,685,922	98.49%	409,060	27,094,982	100.00%
2003	30,123,867	29,572,768	98.17%	550,476	30,123,244	100.00%
2004	33,302,756	32,873,737	98.71%	418,048	33,291,785	99.97%
2005	37,407,495	36,859,176	98.53%	497,616	37,356,792	99.86%
2006	38,862,866	38,330,448	98.63%	-	38,330,448	98.63%
2007	41,095,855	40,508,516	98.57%	-	40,508,516	98.57%
2008	43,780,473	43,171,104	98.61%	-	43,171,104	98.61%
2009	47,682,500	46,678,811	97.90%	-	46,678,811	97.90%

Source:  
 City of Fairfax Treasurer's Office.

Ratios of Outstanding Debt by Type and General Bonded Debt Outstanding  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year June 30,	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Per Capita Personal Income	Debt Per Capita
	General Obligation Bonds	Lease Revenue Bonds	Notes Payable	Capital Leases	Revenue Bonds	Capital Leases	Notes Payable			
2000	\$ 29,135,000	\$ 1,745,000	\$ -	\$ 645,275	\$ 6,817,490	\$ 1,023,938	\$ 2,871,880	\$ 42,238,583	10.09%	\$ 1,958
2001	27,145,000	1,435,000	-	521,787	5,924,527	830,621	2,733,677	38,590,612	11.40%	1,749
2002	25,180,000	1,105,000	-	313,578	4,986,563	626,054	296,436	32,507,631	13.69%	1,472
2003	43,300,000	755,000	-	188,690	4,055,000	409,581	258,873	48,967,144	9.35%	2,201
2004	40,755,000	390,000	2,167,325	92,147	3,316,589	180,510	219,817	47,121,388	10.34%	2,131
2005	80,665,418	-	9,040,404	711,430	2,246,942	-	179,210	92,843,404	5.64%	4,214
2006	122,682,596	39,630,000	13,975,798	634,394	1,183,034	-	136,990	178,242,812	3.07%	7,801
2007	119,124,230	39,630,000	28,355,767	556,505	387,882	-	93,093	188,147,477	3.10%	8,058
2008	114,767,655	39,330,000	30,768,959	474,713	5,016,885	-	47,452	190,405,664	3.11%	7,985
2009	110,300,000	39,030,000	28,671,254	388,821	4,821,000	-	-	183,211,075	3.28%	7,649

General bonded debt outstanding:

Fiscal Year June 30,	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Debt Per Capita
2000	\$ 30,880,000	1.38%	\$ 1,432
2001	28,580,000	1.11%	1,295
2002	26,285,000	0.89%	1,190
2003	44,055,000	1.29%	1,980
2004	41,145,000	1.07%	1,861
2005	80,665,418	1.78%	3,662
2006	162,312,596	2.93%	7,103
2007	158,754,230	2.78%	6,799
2008	154,097,655	2.69%	6,463
2009	149,330,000	2.74%	6,235

Notes:

- (1) Details regarding the City's outstanding debt may be found in the notes to the basic financial statements.
- (2) Population and personal income data can be found in table 14
- (3) See table 7 for property value data
- (4) The Lease Revenue Bonds under the Governmental Activities will be repaid with general government resources

CITY OF FAIRFAX, VIRGINIA

Legal Debt Margin Information  
Last Ten Fiscal Years  
(Unaudited)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Debt limit	\$ 223,417,003	\$ 257,715,291	\$ 294,690,937	\$ 342,201,807	\$ 385,210,840
Total net debt applicable to limit	<u>29,135,000</u>	<u>27,145,000</u>	<u>25,180,000</u>	<u>44,055,000</u>	<u>41,145,000</u>
Legal debt margin	<u>\$ 194,282,003</u>	<u>\$ 230,570,291</u>	<u>\$ 269,510,937</u>	<u>\$ 298,146,807</u>	<u>\$ 344,065,840</u>
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	13.04%	10.53%	8.54%	12.87%	10.68%

Legal debt margin calculation for fiscal year 2009

Assessed value of real estate	\$ <u>5,453,654,626</u>
Debt limit (10% of assessed value)	\$ 545,365,463
Debt applicable to limit: Net direct debt outstanding	<u>\$ 178,390,076</u>
Legal debt margin	<u>\$ 366,975,387</u>

Summary of outstanding debt:

2004 general obligation refunding bonds  
2002 general obligation bonds  
School bonds  
Lease Revenue Bonds  
Notes payable  
Capital leases

Notes:

- (1) Net direct debt excludes debt service on general obligation bond issues supported by revenues of the water and sewer systems. Revenues of the water and sewer system have been sufficient to cover debt service on such bonds.
- (2) Under the City Charter and Constitution of Virginia, the City may not issue bonds in excess of 10% of assessed valuation. Self-supporting debt is not included in this calculation.

Table 12

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 454,188,308	\$ 553,398,945	\$ 570,174,668	\$ 572,537,204	\$ 545,365,463
<u>90,417,252</u>	<u>176,922,788</u>	<u>187,666,502</u>	<u>185,341,328</u>	<u>178,390,076</u>
\$ <u><u>363,771,056</u></u>	\$ <u><u>376,476,157</u></u>	\$ <u><u>382,508,166</u></u>	\$ <u><u>387,195,876</u></u>	\$ <u><u>366,975,387</u></u>
19.91%	31.97%	32.91%	32.37%	32.71%
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$	2,187,596	\$ 1,469,230	\$ 747,655	\$ -
	17,850,000	17,090,000	16,305,000	15,490,000
	102,645,000	100,565,000	97,715,000	94,810,000
	39,630,000	39,630,000	39,330,000	39,030,000
	13,975,798	28,355,767	30,768,960	28,671,255
	<u>634,394</u>	<u>556,505</u>	<u>474,713</u>	<u>388,821</u>
\$	<u><u>176,922,788</u></u>	\$ <u><u>187,666,502</u></u>	\$ <u><u>185,341,328</u></u>	\$ <u><u>178,390,076</u></u>

CITY OF FAIRFAX, VIRGINIA

Pledged-Revenue Coverage  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year June 30,	Water Revenue Bonds					
	Utility Service Charges	Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2000	\$ 6,319,058	\$ 4,362,920	\$ 1,956,138	\$ 875,000	\$ 365,858	1.58
2001	7,019,874	4,295,371	2,724,503	900,000	322,972	2.23
2002	7,850,910	5,174,068	2,676,842	945,000	284,800	2.18
2003	6,876,281	4,700,402	2,175,879	938,599	325,247	1.72
2004	6,673,100	5,140,636	1,532,464	738,411	120,666	1.78
2005	6,608,525	6,152,166	456,359	1,069,647	61,158	0.40
2006	6,453,364	6,391,239	62,125	1,063,908	41,413	0.06
2007	8,502,293	6,813,558	1,688,735	795,152	21,771	2.07
2008	7,526,494	6,704,459	822,035	191,997	119,549	2.64
2009	8,940,605	7,159,290	1,781,315	195,885	128,544	5.49

Notes:

- (1) Total utility service charges include interest & transfers in from other funds, but do not include developer contributions.
- (2) Total operating expenses are exclusive of depreciation, amortization, interest expense and losses on disposition of assets.
- (3) The Sewer Fund retired two notes early totaling \$2,400,000 in fiscal year 2002.
- (4) The Utility Fund obtained \$4.8 million in FY08 for financing future projects.



Table 13

Sewer Revenue Bonds						
Utility Service Charges	Operating Expenses	Net Available Revenue	Debt Service		Coverage	
			Principal	Interest		
\$ 2,973,032	\$ 2,182,458	\$ 790,574	\$ 131,027	\$ 172,023	2.61	
3,672,343	2,718,706	953,637	138,203	164,847	3.15	
3,839,869	2,571,757	1,268,112	2,437,241	16,537	0.52	(3)
3,183,207	3,047,513	135,694	37,563	11,775	2.75	
2,787,497	3,103,903	(316,406)	39,056	10,283	N/A	
3,114,800	3,195,501	(80,701)	40,607	8,731	N/A	
3,126,098	3,322,479	(196,381)	42,220	7,120	N/A	
3,528,473	3,549,732	(21,259)	43,897	5,440	N/A	
4,075,046	3,444,774	630,272	45,641	3,698	N/A	
3,338,527	3,544,242	(205,715)	47,452	1,884	N/A	

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Demographic and Economic Statistics  
 Last Ten Fiscal Years  
 (Unaudited)

Fiscal Year June 30,	Population	Personal Income	Per Capita Personal Income	School Enrollment	Unemployment Rate
	(1)	(2)	(2)	(3)	(4)
2000	21,570	\$ 919,265,000	\$ 42,600	2,580	0.40%
2001	22,065	970,754,000	44,000	2,621	0.50%
2002	22,082	982,239,000	44,500	2,761	1.60%
2003	22,251	1,020,014,000	45,800	2,751	1.80%
2004	22,113	1,077,940,000	48,700	2,767	1.90%
2005	22,030	1,153,943,000	52,400	2,784	1.60%
2006	22,850	1,252,270,000	54,800	2,582	2.70%
2007	23,349	1,360,974,000	58,300	2,766	2.50%
2008	23,844	1,413,312,000	59,300	2,771	2.40%
2009 est.	23,952	1,440,487,000	60,100	2,764	5.60%

## Notes:

(1) Population derived from 1997 - 2008 figures from the US Census Bureau.

(2) Personal income derived from 1997 - 2007 figures from the US Bureau of Economic Analysis (BEA).

(2) Personal income is published annually (with a 2-year delay) by the BEA. The most recent available figures are for 2007 (2008 estimates are due for release in April 2010).

(2) To estimate personal income for 2008 and 2009, the average annual change in personal income for the previous six years was applied to the most recent available year (2007). In this case, the six-year average was a 5.83% annual increase; however due to rapid wage stagnancy resulting from the nationwide recession, 66% of the average was used.

(2) The BEA agglomerates the City of Fairfax with Fairfax County and the City of Falls Church in its reporting of personal income. To separate City data, each year's Census-reported proportion of City population within these three jurisdictions was applied to the total personal income figure. Further, the proportion of City Per Capita Personal Income to its County equivalent, as reported in the 2000 census (or the American Community Survey), was applied to give a more accurate estimate of City PCPI.

(3) Final tuition bills from Fairfax County. The numbers represent Average Daily Membership "ADM". Average daily attendance approximates 94 % of ADM.

(4) As of August 2009, per Virginia Workforce Connections.

Principal Employers  
Current Year and Nine Years Ago  
(Unaudited)

Employer (1)	2009			2000		
	(1) Employees	Rank	Percentage (2) of Total City Employment	Employees	Rank	Percentage of Total City Employment
SunTrust Bank	450	1	1.54%	-	-	-
Crestar Bank	-	-	-	450	1	1.66%
City of Fairfax	360	2	1.23%	340	2	1.26%
Federal Technology Services (GSA)	300	3	1.02%	-	-	-
Bell Atlantic Cellular	-	-	-	262	3	0.97%
Verizon Wireless	260	4	0.89%	-	-	-
Fairfax Nursing Center	250	5	0.85%	250	4	0.92%
Ted Britt Ford	250	6	0.85%	250	5	0.92%
Fairfax Honda	-	-	-	200	6	0.74%
Inova Care Center	210	7	0.72%	-	-	-
Mid-Atlantic Cars	-	-	-	200	7	0.74%
Fairfax Honda	200	8	0.68%	-	-	-
Commonwealth Nursing	-	-	-	192	8	0.71%
Browns Automotive Group	200	9	0.68%	-	-	-
DA Foster Industries	-	-	-	190	9	0.70%
Mid-Atlantic Cars	200	10	0.68%	-	-	-
Virginia Power	-	-	-	170	10	0.63%
Total			9.14%			9.25%

## Sources:

(1) City of Fairfax Economic Development Office, September 2009

(2) Metropolitan Washington COG 2009

Full-Time Equivalent City Government Employees By Function/Program  
Last Ten Fiscal Years  
(Unaudited)

Function/program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
City Clerk	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Electoral Board	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
City Manager	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.50	2.50	2.50
Personnel	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Community Relations	2.75	2.75	2.75	2.75	2.00	2.00	2.50	2.50	2.50	2.00
Marketing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.88
Cable TV	0.75	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Information Technology	5.50	8.00	9.00	10.00	10.00	10.00	11.00	11.00	11.00	11.00
Printing & Office Supplies	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Motor Pool	11.50	12.00	12.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Finance & Accounting	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.50	7.50	7.50
Real Estate Assessment	4.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00
Treasurer	6.75	6.75	7.50	7.50	7.50	7.50	7.50	7.75	7.75	7.75
Commissioner of Revenue	9.25	9.25	9.25	8.50	8.50	8.50	9.00	9.00	9.00	9.00
Police Department	83.57	83.57	83.57	85.95	86.95	85.75	85.50	85.75	88.00	88.00
Fire Department	62.00	62.00	62.00	65.00	70.00	69.00	70.00	80.00	80.00	80.00
Public Works	66.50	67.50	69.00	70.00	70.70	70.70	69.20	74.70	77.00	77.00
Social Services	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62
Parks & Recreation	15.75	14.75	15.75	16.75	16.75	17.00	17.63	17.63	18.63	18.25
Historic Resources	-	2.00	3.00	3.95	3.95	3.95	3.95	3.95	3.95	3.95
Planning & Design	11.12	12.12	12.12	12.25	12.25	12.63	14.50	15.00	15.70	15.70
Economic Development	2.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00
Education	3.00	2.63	3.00	4.13	3.13	2.26	3.13	2.63	1.90	1.90
Sewer	7.56	7.81	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Water	28.56	29.81	29.00	29.00	29.00	29.00	31.00	31.00	31.00	32.00
Transit	26.50	29.50	30.00	30.00	30.00	30.00	30.00	30.50	30.50	30.50
Total	<u>368.18</u>	<u>379.06</u>	<u>384.56</u>	<u>395.40</u>	<u>400.35</u>	<u>397.91</u>	<u>404.53</u>	<u>421.03</u>	<u>425.30</u>	<u>425.30</u>

Source:

City Budget Office.

## CITY OF FAIRFAX, VIRGINIA

Operating Indicators By Function/Program  
Last Ten Fiscal Years  
(Unaudited)

	Actual 2000	Actual 2001	Actual 2002	Actual 2003	Actual 2004
<b><u>GENERAL GOVERNMENT:</u></b>					
<b>Public Works</b>					
Homes Served - Refuse Collection	5,691	5,691	6,000	6,000	6,032
<b>Elections</b>					
Registered Voters	12,835	13,437	13,498	13,809	13,937
# of Votes cast last General Election	1,293	9,539	6,807	6,227	2,090
% of Registered Voters last General Election	10.1%	70.9%	50.4%	45.1%	15.0%
<b>Parks and Recreation</b>					
Old Town Hall Occupancy Rate	90%	90%	90%	90%	90%
Total Unique Recreation Programs	*	*	*	*	*
Total Recreation Programs	*	*	*	*	*
Day Camp program participants	*	*	*	*	*
<b>Community Development and Planning</b>					
Planning Studies/Reports prepared	12	12	200	225	225
Residential/Non-residential Use Permits	*	*	990	1,110	1,100
Administrative Permit-Review/Approve	*	*	475	2,970	2,500
Neighborhood Renaissance Conferences	*	*	*	*	*
Board of Architectural Review (BAR) Applications	*	*	*	*	*
Enforcement Citations	*	*	*	*	*
Land Use Applications	*	*	*	*	*
Development Plans & Subdivisions	*	*	*	*	*
<b>Economic Development</b>					
Vacancy Rate - Office Space	0.90%	2.50%	4.80%	8.50%	8.50%
Vacancy Rate - Retail Space	2.40%	2.50%	4%	2.20%	2.20%
<b><u>SCHOOLS:</u></b>					
<b>Education</b>					
Average Daily Membership	2,580	2,621	2,761	2,751	2,767
Elementary - Kindergarten	150	182	190	204	215
Elementary - (1-6)	1,125	1,154	1,235	1,250	1,255
Secondary - (7-12)	1,305	1,285	1,336	1,297	1,297
Tuition Cost Per Student	\$ 8,734	\$ 9,143	\$ 9,377	\$ 9,745	\$ 10,486
<b><u>PUBLIC SAFETY:</u></b>					
<b>Police Department</b>					
Cases Assigned	546	500	439	500	382
Cases Closed	287	355	290	300	286
Calls for Service	17,268	17,027	18,355	18,375	18,013
Criminal Arrests	1,509	1,380	1,585	1,626	1,748
<b>Fire Department</b>					
Staff Training Hours	575	5,915	6,605	8,000	8,355
Responses to Fire Incidents	2,704	3,092	*	3,265	3,325
Responses to EMS Incidents	6,914	7,910	7,910	7,362	7,400
Plans reviewed	961	918	923	1,094	1,207
Building Permits Issued	2,205	2,776	2,475	2,447	2,522
Cost Associated with Building Permits	\$ 21,519,492	\$ 35,162,772	\$ 62,004,149	\$ 32,875,698	\$ 30,286,780
<b><u>UTILITIES:</u></b>					
<b>Sewer</b>					
Number of New Service Connections	142	140	62	45	35
\$ Amount of New Service Connections	\$ 209,773	\$ 899,458	\$ 1,031,376	\$ 341,282	\$ 213,656
Average Daily Flow (MGD)	3	4	4	4	4
Feet of Pipeline Rehabilitated	3,143	4,175	6,333	6,156	3,603
Site Plans Reviewed	51	52	52	31	31
<b>Water</b>					
\$ Amount of New Customer Connections	\$ 22,833	\$ 49,799	\$ 42,520	\$ 52,048	\$ 49,691
Number New Service Connections	148	141	23	21	55
\$ Amount of New Service Connections	\$ 419,724	\$ 696,457	\$ 935,727	\$ 296,228	\$ 360,317
Gallons of Water Produced (millions)	3,906	4,415	4,425	4,417	4,426
Feet of Pipeline replaced	3,937	3,564	60,085	6,800	4,650
Number of Site Plans Reviewed	51	52	52	31	31
<b><u>TRANSIT:</u></b>					
Total Ridership	980,000	970,576	920,000	920,000	985,000

**Notes:**

Source: City Annual Operating Budget &amp; Comprehensive Annual Financial Report

\* - information not available

MGD - Millions Gallons Daily

(1) The City held off replacing water pipeline in 2006 waiting for completion of downtown renovation.

(2) The dollar amount of new water service connections increased more than 100% due to a large new townhouse development called Beech Grove.

(3) The dollar amount of new water service connections increased more than 100% due to a large new townhouse development called Beech Grove and GMU's growth.

Table 17

	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual/ Estimate 2009
	6,032	6,168	6,226	6,245	6,249
	14,478	14,387	13,772	15,476	14,920
	10,651	8,177	5,557	11,478	7,206
	73.6%	56.8%	40.3%	74.20%	48.30%
	92%	90%	90%	*	52%
	*	49	60	97	69
	*	117	135	433	332
	534	507	563	*	590
	275	225	220	*	*
	1,250	1,400	1,400	*	*
	2,500	2,500	2,500	*	*
	*	*	450	600	600
	*	*	48	51	51
	*	*	450	540	550
	*	*	38	42	45
	*	*	37	59	60
	6.25%	6.75%	6.90%	7.25%	9.50%
	0.90%	1.10%	1.10%	1.50%	6.00%
	2,784	2,745	2,766	2,771	2,764
	204	205	189	229	198
	1,266	1,290	1,324	1,294	1,316
	1,314	1,250	1,253	1,248	1,259
\$	10,812 \$	11,915 \$	12,030 \$	13,548 \$	13,398
	346	332	245	245	260
	221	207	173	173	175
	16,042	17,414	14,970	14,970	16,000
	1,894	1,756	1,756	1,786	1,400
	9,056	9,725	14,399	16,000	14,500
	3,325	3,390	3,169	3,300	3,300
	7,400	7,435	7,395	7,300	7,300
	1,028	932	1,088	1,000	1,000
	2,604	653	629	531	500
\$	34,834,731 \$	47,430,498 \$	37,402,772	33,968,649	28,000,000
	57	43	53	47	31
\$	372,106 \$	331,611 \$	341,075	377,208	347,858
	4	4	4	3.78	3.78
	2,346	3,881	3,881	4,500	4,500
	25	22	22	26	26
\$	50,440 \$	54,218 \$	49,542	46,130	61,213
	11	52	105	111	200
\$	406,235 \$	301,773 \$	826,596 (2)	1,243,299 (2)	1,621,803
	4,426	4,351	4,351	4,198	4,198
	4,707	600 (1)	600 (1)	0 (1)	6550
	26	22	25	26	26
	1,000,000	1,093,926	1,126,966	1,035,000	1,080,000

Capital Asset Statistics By Function/Program  
Last Ten Fiscal Years  
(Unaudited)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Estimate 2009
<b><u>GENERAL GOVERNMENT</u></b>										
<b>Parks and Recreation</b>										
Acres of Parks	178	178	178	178	222	279	279	279	279	279
Number of Major Parks	8	8	8	8	9	9	9	9	9	9
Number of Neighborhood Parks	8	8	8	8	13	13	13	13	13	14
<b>Public Works</b>										
Vehicle Availability (%)	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%
Vehicle Repair Orders	3,625	3,849	3,103	3,389	3,389	2,823	2,455	2,672	3,800	3,494
Total Fleet	474	500	502	512	522	522	548	560	563	585
Miles of Streets - Primary	15.58	15.58	15.58	15.58	15.58	15.58	15.58	15.58	15.58	15.58
Miles of Streets - Secondary	54.38	54.38	54.38	54.38	54.38	54.38	54.76	54.76	54.76	55.33
Number of Street Lights	2,830	2,830	2,888	2,928	2,940	2,950	2,950	2,950	2,950	2,967
<b><u>PUBLIC SAFETY</u></b>										
<b>Police</b>										
Number of Stations	1	1	1	1	1	1	1	1	1	1
<b>Fire</b>										
Number of Stations	2	2	2	2	2	2	2	2	2	2
Number of Fire Hydrants	1,081	1,088	1,099	1,099	1,110	1,110	1,110	1,110	1,110	1,113
<b><u>UTILITIES:</u></b>										
<b>Water</b>										
Gallons produced (millions)	3,906	4,415	4,425	4,417	4,426	4,426	4,351	4,351	4,380	4,198
Water Mains (miles)	180.05	181.00	181.69	181.93	182.68	182.68	182.68	182.68	182.68	183.77
<b>Sewer</b>										
Sanitary Sewers (miles)	95.66	96.03	96.14	96.74	97.03	97.03	97.03	97.03	97.03	97.07
<b><u>TRANSIT:</u></b>										
Number of Buses	12	12	12	12	12	12	12	12	12	12

**Notes:**

Source: City Annual Operating Budget &amp; Comprehensive Annual Financial Report

\* - information not available



# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

**To The Honorable Members of City Council  
City of Fairfax  
Fairfax, Virginia**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the City of Fairfax, Virginia's basic financial statements and have issued our report thereon dated December 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Fairfax, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fairfax, Virginia's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fairfax, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Tamara, Cox Associates*

Fredericksburg, Virginia  
December 7, 2009

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To The Honorable Members of City Council  
City of Fairfax  
Fairfax, Virginia

### Compliance

We have audited the compliance of the City of Fairfax, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Fairfax, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Fairfax, Virginia's management. Our responsibility is to express an opinion on the City of Fairfax, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Fairfax, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Fairfax, Virginia's compliance with those requirements.

In our opinion, the City of Fairfax, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

### Internal Control Over Compliance

The management of the City of Fairfax, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Fairfax, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

### Internal Control Over Compliance (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Tamara, Cox Associates*

Fredericksburg, Virginia  
December 7, 2009

CITY OF FAIRFAX, VIRGINIA

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2009

<u>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
<u>DEPARTMENT OF CRIMINAL JUSTICE:</u>		
<u>Direct payments:</u>		
Bulletproof Vest Partnership Program	16.607	\$ 2,205
Edward Byrne Memorial State and Local Law Enforcement Assistance		
Discretionary Grants Program	16.580	133,686
Public Safety Partnership and Community Policing Grants	16.710	<u>116,912</u>
Total Department of Criminal Justice		\$ <u>252,803</u>
<u>DEPARTMENT OF TRANSPORTATION:</u>		
<u>Pass through payments:</u>		
Federal Highway Administration:		
Highway Planning and Construction Grant	20.205	\$ 2,437,582
National Highway Traffic Safety Administration:		
State and Community Highway Safety	20.600	<u>17,883</u>
Total Department of Transportation		\$ <u>2,455,465</u>
<u>DEPARTMENT OF TREASURY:</u>		
<u>Direct payments:</u>		
Department of the Treasury Law Enforcement Organization:		
United States Secret Service Task Force	21.000	\$ <u>9,123</u>
<u>DEPARTMENT OF HOMELAND SECURITY:</u>		
<u>Direct payments:</u>		
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	\$ 288,707
<u>Pass through payments:</u>		
Federal Emergency Management Agency:		
Homeland Security Grant Program	97.067	79,307
Citizen Corps Program	97.053	3,694
Emergency Management Performance Grant	97.042	<u>5,000</u>
Total Department of Homeland Security		\$ <u>376,708</u>
<u>NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES:</u>		
<u>Pass Through Payments:</u>		
Virginia Commission for the Arts:		
Promotion of the Arts - Partnership Agreements	45.025	\$ <u>5,000</u>
Total expenditures of federal awards		\$ <u><u>3,099,099</u></u>

## CITY OF FAIRFAX, VIRGINIA

### Notes to Schedule of Expenditures of Federal Awards For The Year Ended June 30, 2009

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#### Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federally assisted programs of the City of Fairfax, Virginia. The City's reporting entity is defined in Note 1 to the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

#### Note 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

#### Note 3 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the City's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

Governmental Funds	\$ <u>3,099,099</u>
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Total federal expenditures per the Schedule of Expenditures  
of Federal Awards

\$ <u><u>3,099,099</u></u>
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CITY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Grant

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

**Section III - Federal Award Findings and Questioned Costs**

There are no federal award findings and questioned costs to report.

**CITY OF FAIRFAX, VIRGINIA**

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2009

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There were no prior year audit findings.